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FINANCIAL TIMES

THURSDAY MARCH 25 1993

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Europe's Business Newspaper

France and UK forced to cease Bosnia air rescue

French and British helicopters, which had started to evacuate Moslem civilians from the besieged enclave of Srebrenica in eastern Bosnia, were forced to suspend operations just hours later because of heavy Serb shelling of the town. The mission was halted shortly after two British helicopters evacuated two Canadian soldiers

of the United Nations peacekeeping force, who had been wounded by Serb gunfire. Earlier, Serb shells had killed a civilian only minutes after three French helicopters had taken off with 21 wounded Moslems on board.

Meanwhile, UN special investigator Tadeusz Mazowiecki (left) said

the siege of Srebrenica was another example of "ethnic cleansing" in Bosnia. Page 15

FBI arrests bomb suspect in Egypt: The alleged mastermind of the World Trade Center bombing was being brought back to the US after 10 days in an Egyptian prison, officials and his brother said. FBI agents took into custody Mahmoud Abu-Halima, a 34-year-old taxi driver, said to be behind blast that killed six on February 26.

Norway go-ahead to join EC: The European Commission cleared the way for Norway's application to join the European Community. Accession talks are expected to open formally when EC foreign ministers meet on April 5. Page 16

Belgium lifts rates: Belgium's central bank had to raise official interest rates to support the franc, after the resignation of the coalition government triggered strong selling of the currency inside the European exchange rate mechanism. Page 16; Editorial Comment, Page 16; Currencies, Page 32

US and Japan deadlocked: The US and Japan are deadlocked on setting new market-share targets for semiconductor trade, with Japan refusing to agree to the use of any quantitative measure for foreign access to the \$30bn Japanese semiconductor market. Page 16; Tokyo rebuts criticism by Clinton, Page 4

Greenspan urges spending cuts: The US Federal Reserve chairman Alan Greenspan urged greater reliance on spending cuts as a way to reduce the deficit rather than higher taxes. Page 7

Nigeria warned to cut debts: Western creditor governments warned Nigeria that new loans might dry up if it failed to reduce its \$30m-\$40m arrears on official debt repayments. Page 5

Barclays said it was starting a worldwide search for a new chief executive from outside the bank. Page 17; Observer, Page 15

Neutis, the world's largest food group, saw consolidated net profit rise 9.2 per cent last year, more than expected. Page 17

More defections to VW: Six European colleagues of Jose Ignacio Lopez de Arriortua, the Spanish purchasing chief who left General Motors last week to join Volkswagen, have also resigned from GM to join him at the German car manufacturer. Page 17

Reuters, the international information and news group, is considering ways of returning some of its \$700m (\$1.05bn) cash pile to shareholders - probably through a special dividend or share buy-back scheme. Page 16; Lex, Page 16

Keating appoints new faces: Paul Keating, the recently re-elected Australian prime minister, promoted six backbenchers to the cabinet in a reshuffle designed to keep the Labor party in government for the rest of the decade. Page 6

EC telecoms groups talk: Senior executives of EC telecommunications operators meet in Brussels today to discuss European Commission plans to open domestic and international telephone calls to full competition by 1998. Page 2

Berlin cleared of "sweetening" Sony: The European Commission decided that Berlin city authorities did not "sweeten" unduly a 1991 property deal with Sony, to persuade the Japanese electronics manufacturer to move its European headquarters to a prime city centre site. Page 3

Pulitzer prizewinner dies: John Hersey, whose work described the devastation of the second world war, died of cancer in Florida, aged 78. He won the Pulitzer prize for fiction in 1945 for his novel *A Bell for Adano*.

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Daimler-Benz to be given share listing on NYSE

By David Waller in Frankfurt and Martin Dickson in New York

DAIMLER-BENZ, Germany's largest industrial company, yesterday disclosed "hidden reserves" of about DM4bn (\$2.4bn) while announcing its plan to obtain a share listing on the New York Stock Exchange.

Daimler will become the first German company to obtain a listing on the exchange and is likely to lead the way for other German companies as they attempt to

strengthen their ability to raise capital.

The company said yesterday that after long negotiations it had reached a compromise with the Securities and Exchange Commission, the US regulatory body for securities markets, which would allow it to list its shares on Wall Street this year.

The compromise would include the German company giving increased financial details to meet US investors' expectations, Daimler said. The refusal of the

SEC and German groups to compromise on disclosure rules has been a longstanding obstacle to the company's gaining access to the world's biggest capital market.

As a first step, Daimler said that it would change its accounting for the 1992 financial year. This would disclose extraordinary profits of about DM4bn, more than twice the expected net profits of between DM1.6bn and DM1.8bn. The profit in 1991 was DM1.5bn.

Daimler's plans suggest a com-

promise has been reached in a heated dispute over the past two years between Mr William Donaldson, the exchange's chairman, who has urged the SEC to relax its rules, and Mr Richard Breeden, SEC chairman, who has demanded that foreign companies provide an "information bridge" for US investors.

Daimler's accounting changes highlight the fact that German accounting rules are more conservative than those generally accepted under US accounting

principles. US rules are oriented to the needs of institutional investors, whereas German rules put creditors' interests first.

This means that German companies' profits and assets have been understated compared with figures presented under UK or US rules.

Daimler said that further details would be disclosed early next week after a meeting between Mr Gerhard Lienert, group finance director, and Mr Breeden.

Parliament ready to vote on impeachment of Yeltsin

Peace talks on Russian leadership break down

By John Lloyd in Moscow

RUSSIA'S political crisis intensified yesterday after the failure of talks between President Boris Yeltsin and Mr Ruslan Khabsulatov, speaker of the conservative-dominated parliament.

The impasse at the end of the 90-minute meeting between the two opponents leaves the way open for a vote on impeaching the president tomorrow.

Mr Yeltsin's office said after the talks - attended by Mr Valery Zorkin, chairman of the Constitutional Court - that the parliamentary leadership had "again rejected the simple and clear solution proposed by the president, to decide the fate of Russian statehood by a national vote."

The statement said a debate on

widely forecast if he is called upon to step down.

However, Mr Khabsulatov alluded to a measure, added to the constitution in December, under which the president could be stripped of his powers if he was deemed to have acted to disband or suspend any legally elected body of state authority. It is not clear if a vote on this would require two-thirds or merely a simple majority.

The increasingly feverish warnings of national catastrophe and division were given point last night with a report on the official Tass news service that Cossacks on the Don River in southern Russia had declared an independent republic.

Hopes of a compromise in Moscow had risen earlier yesterday with the publication of Mr Yeltsin's decree setting out the basis of his address to the people last Saturday, in which he had said he was assuming "special powers". The decree as published made no mention of these powers.

Further efforts at compromise remain possible. Mr Khabsulatov, informing parliament last night of the failure of the talks, said he and Mr Yeltsin had discussed the possibility of a government of national accord.

• The Japanese government was

confident last night that it had

derailed a push for an emergency

summit of the Group of Seven leading industrialised nations to discuss the crisis in Russia, wrote Robert Thomson in Tokyo and Ralph Atkins in London.

On returning from the US and Europe, Mr Hisashi Owada, vice-foreign minister, told Mr Ichiro Miyazawa, the prime minister, that support was increasing for Japan's plan to host a ministerial-level meeting next month and then the G7 summit as scheduled in July.

Continued on Page 16

Brussels explains trade plan for Moscow. Page 2



Ruslan Khabsulatov: ready to strip the president of his powers

De Klerk says Pretoria made nuclear arms

By Patti Waldmeir in Cape Town

PRESIDENT F.W. de Klerk

yesterday admitted that South Africa had developed and produced nuclear weapons in the late 1970s. He said, however, that all weapons were dismantled after he took power in 1989.

In a statement to parliament in Cape Town, Mr De Klerk provided the first confirmation of what international atomic experts had long suspected: that South Africa had produced weapons-grade uranium and used it to produce a nuclear bomb.

Mr De Klerk said he took the decision to dismantle the weapons soon after becoming president in September 1989, in an apparent attempt to prevent nuclear weapons and technology falling into the hands of a future black government dominated by the African National Congress.

He came under heavy pressure to wind up South Africa's weapons programme from the US and other foreign governments, concerned at the ANC's links with Col Muammar Gadhafi of Libya.

South Africa's six nuclear fission warheads were dismantled early in 1990, and the nuclear material used to produce them was downgraded so that it could no longer be used for weapons.

Mr De Klerk said all hardware and design information used in the bombs' construction was also destroyed - again, to frustrate attempts by a future government to revive a nuclear weapons industry - though many of those who developed the weapons

remain in government employ.

He insisted that South Africa had developed the weapons entirely with domestic technology, and that it neither imported nor exported technology or materials. There has long been speculation that South Africa co-operated with Israel on its nuclear weapons programme.

In July 1991, South Africa acceded to the Nuclear Non-Proliferation Treaty, under which it was required to declare its uranium stockpiles to the International Atomic Energy Agency. He said yesterday that South Africa held no further stocks of weapons-grade uranium.

In Vienna, the IAEA said it would send inspectors to verify that the programme had ended.

The airborne warheads were constructed at a cost of R800m (\$750m) after a decision in 1974 to launch a nuclear weapons programme aimed at deterrence. Mr De Klerk added.

George Graham adds from Washington: Mr De Klerk's announcement seems likely to clear up a dispute with the IAEA and the US over whether South Africa was accounting in full for its production of nuclear material.

"I think this is just the kind of thing South Africa should have done and North Korea may yet have to do," said Mr Gary Milholin, an arms proliferation expert at the Wisconsin Project on Nuclear Arms Control in Washington.

Crackdown on violence, Page 6

Drugs stocks plummet after Merck earnings warning

By Paul Abrahams in London

DRUGS STOCKS on both sides of

the Atlantic tumbled yesterday

after Merck & Co, the sector's

biggest company, warned that

earnings growth this year would

be slower than expected.

The US group also revealed its

first job reduction programme

when it announced 1,000 of its

38,000 employees would be made

redundant this year.

By midday in New York

Merck's shares had dropped \$34

- 8 per cent - to \$383. In London, Glaxo Holdings closed down

17p to 597p in spite of news that

its migraine treatment Ibuligan

had been given technical

approval in France.

Merck blamed the slowdown on

the increasing competitive

environment in the US and

healthcare cost-containment mea-

sures worldwide. It also cited

unfavourable currency move-

ments that could cut turnover by

as much as 3 per cent this year.

Last week Eli Lilly and Marion

Merrell Dow, relatively weaker

US drugs companies, gave simi-

lar warnings.

Merck said the effects of the

worsening environment would be seen in the first-quarter results and particularly noticeable during the first six months. Analysts downgraded their earnings

growth predictions for Merck during 1993 from as high as 16 per cent to between 9 and 11 per cent.

Merck has been hit both by its

undertaking not to increase prices by more than the rate of inflation and the growing ability

of bulk healthcare providers to

negotiate significant drug discounts.

Sales have also been affected by health reforms in Germany, the world's third largest market, where the number of prescriptions fell by as much as 30 per cent during January.

In the US, prices are actually falling in some drug classes because of the growing power of bulk healthcare providers called health management organisations. These account for about half of the US market.

Merck has been particularly hit by discounting. Sales growth of Merck's cholesterol-lowering drugs Zocor and Mevacor, has suffered from the aggressive pricing of Bristol-Myers Squibb's Pravachol.

Analysts believe price competition is likely to worsen as a number of significant drugs come off patent over the next two years.

Sales of Merck's anti-ulcer drug Pepcid and Glaxo's Zantac are likely to suffer next year as HMOs switch to cheap generic versions of SmithKline Beecham's Tagamet next year.

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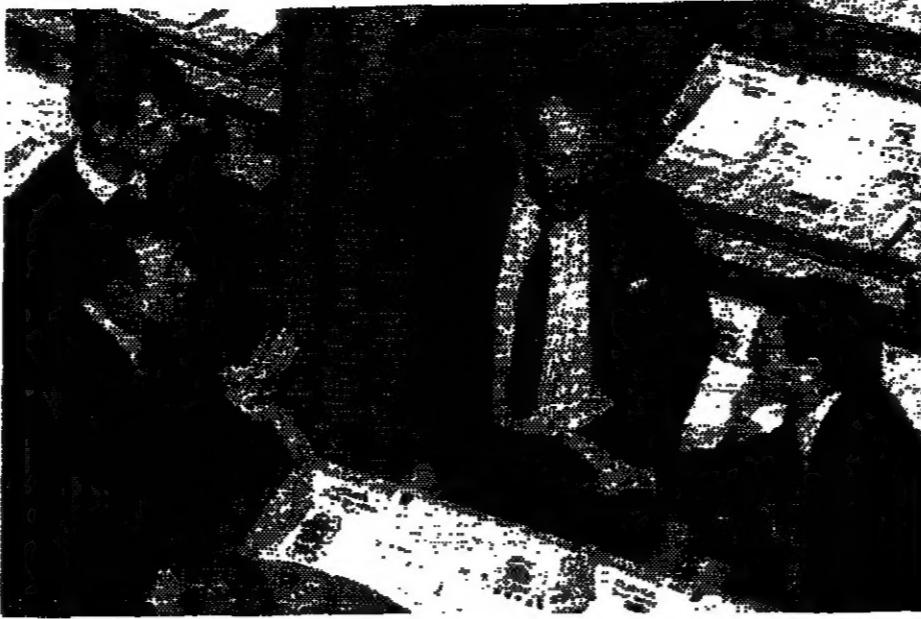
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NEWS: EUROPE



Russia in turmoil: A democrat shouts at communist demonstrators in St Petersburg yesterday (left), while in Moscow deputies argue in parliament (centre), watched by justices of the constitutional court who ruled that President Yeltsin had acted illegally (right)

Free trade zone plan seen by the Twelve as a 'political signal' of support for the reform programme

Brussels explains trade plan for Moscow

By David Gardner in Brussels

THE European Commission confirmed yesterday it is seeking an enlarged mandate for its "partnership" negotiations with Russia, and that the aim is eventually to create a free trade agreement with the former Soviet republic.

The Commission will ask EC foreign ministers to endorse the free trade mandate on April 5 in Luxembourg. But a delegation of Community foreign ministers and commissioners is expected to raise the new terms of negotiation with the embattled government of

President Boris Yeltsin in Moscow this weekend.

The hope is to conclude an agreement with Russia in time for the Copenhagen summit of EC heads of government on June 21-22.

Following yesterday's Commission meeting, Mr Hans van den Broek, EC external affairs commissioner, confirmed that the "eventual" aim of the agreement was a free trade zone with Russia, "provided political and economic circumstances allow it".

"Any solution to the (Russian) crisis will not, obviously, depend on our negotiation," Mr

Van den Broek said. "But the political signal" from the EC, he added, is "very clear".

Senior officials say nobody is under any illusions about the gargantuan task of reaching a free trade arrangement with the former command economy, when the fate of Russia's economic reforms and its future commitment to them, hang on the outcome of the power struggle in Moscow.

But the Commission said it "believes that by expressing a willingness to go beyond traditional trade and co-operation and eventually achieve free trade with Russia, the Commu-

nity would be sending an important signal to Moscow that it fully supports the reform process".

Mr Yeltsin expressly asked for the negotiations to encompass free trade, to give Russia the same sort of access to EC markets promised to Hungary, Poland, the Czech and Slovak republics, Bulgaria and Romania.

The main difference between what the Commission wants for Russia and what has been negotiated with the east and central Europeans is that the drive towards a free trade zone with the latter is linked to

their eventual membership of the Community. This is not an offer to Russia - other former Soviet republics to which free trade arrangements might also be extended.

But the terms of trade Russia might get, according to confidential Commission documents, could theoretically be more favourable than for the east Europeans, who have been frustrated by EC barriers to their most competitive produce, like steel, textiles and food. The "safeguard clause" the Commission envisages against any flood of competitive Russian goods spells out

that it "will only be invoked in the event of a serious injury, or a threat of a serious injury to domestic (EC) producers of like or direct competitive products".

The word "serious" is underlined in the text, and some commissioners yesterday underlined their concern about its potentially broad sweep. Officials said they had wanted to defer deciding on the proposal until next week, to allow further examination of the safeguard clause, and were angered that aspects of the plan had been reported in yesterday's Financial Times.

By John Lloyd and Dmitri Volkov in Moscow

THE mood among Russian deputies yesterday was uncertain, but most signs suggested anti-Yeltsin forces will struggle to get the 669 votes in Congress for the two-thirds majority needed to impeach him.

Mr Nikolai Pavlov, a member of the fiercely anti-Yeltsin bloc, Russian Unity, said the chances of impeachment were minimal. The US TV network ABC quoted a Yeltsin opponent saying: "We only have 600 votes."

Mr Yeltsin can rely on support from the Radical Democratic and Democratic Russia blocs, and can be fairly certain that all in the Union of Creative Forces and absolutely certain that all in Russian Unity will vote against him.

The Democratic Centre is the group to play for. It includes the left centre grouping of Mr Victor Sheinis on the one side

and the Free Russia faction of vice-president Alexander Rutskoi on the other. Mr Sheinis generally supports the president, while General Rutskoi

tomorrow, is fear. Mr Ramzan Abdalatipov, chairman of the Council of Nationalities said:

"It's all very well being a hero but the heroism being shown will be at the expense of the destruction of Russia." He called for compromise.

So numerous have been the warnings of civil war that some impressionable and wavering deputies from provincial constituencies are bound to be affected, and vote not to punish Mr Yeltsin.

Further, his milder opponents could be swayed by the continuing impression that he retains popular support. An opinion poll in the strongly pro-Yeltsin daily *Izvestia* yesterday showed Mr Yeltsin with a 50 per cent approval rating against 9 per cent for General Rutskoi. Nearly 60 per cent said Mr Yeltsin's assumption of special powers was either correct (49 per cent) or not enough (21 per cent).

One view last night was that an impeachment vote might backfire. Mr Vladimir Varov, an influential radical from St Petersburg, said: "I don't object at all if the anti-Yeltsins get two thirds. It would show up the Congress for what they are.

And if they tried any action against the president I'm sure the people would put on an equally suitable reaction."

Benefits for Russia will take time

By David Dodwell,
World Trade Editor

RUSSIA would take longer than did Poland, the Czech and Slovak republic and Hungary to reap benefits from trade liberalisation with the European Community, trade specialists said yesterday.

The slow response would largely be due to internal economic disorder, they said.

New figures about to be released from the General Agreement on Tariffs and Trade in Geneva show that the

economies of central and eastern Europe last year saw strong export gains to the EC - up about 20 per cent from 1991 after a 12 per cent rise in 1990.

East Europe's imports from the EC grew even faster, however, showing that at present the economies in transformation are offering better market opportunities to EC exporters than vice versa.

"Exports especially to the EC grew quite substantially," a Gatt official said. "It is tempting to impute a causal relationship between the improvement

as last year's market opening agreements (with Poland, Hungary and the Czech and Slovak republic), but no detailed investigation has been possible."

This improvement contrasts with an overall fall in exports from central and eastern Europe and the Commonwealth of Independent States of 10 per cent to \$35bn.

Agreements with the three eastern European economies providing better access to the EC market went into force in March last year. Quotas were

set on food exports, textile products, steel and chemicals - all sectors where strong export gains might have been expected. Potential gains have also been reined in by anti-dumping actions against steel exporters from the region late last year.

Strongest growth in exports to the EC was seen for the Czech and Slovak republic, which saw exports leap by 40 per cent, with Bulgaria seeing a 24.5 per cent gain. By contrast, CIS exports stagnated.

In any "Europe agreement", Russia would probably hope

Trade of western Europe with eastern Europe and CIS, 1991-92 (Annual percentage change in value)

	Exports to	Imports from
	1991	1992
-1.0	14.0	24.5
-1.0	83.0	40.0
16.0	17.0	11.0
61.0	6.5	15.5
-2.0	43.0	2.5
30.0	24.0	20.0
-23.0	-4.5	0.0
3.0	12.0	1.5
Total		8.5

for better openings for its raw materials, especially oil and gas. It would probably face less protectionist resistance than the eastern European economies did to many of their manufactured exports, though controversy over fish, alumina and non-ferrous metals cannot be ruled out.

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EC telecoms groups in talks on liberalisation

By Andrew Hill in Brussels

SENIOR executives of EC telecommunications operators meet in Brussels today to discuss European Commission plans to open domestic and international telephone calls to full competition by 1998.

Brussels' telecoms directorate has produced a draft plan which would involve opening cross-border calls within the EC to competition by January 1, 1996. The same plan would set a target of January 1, 1998 for the controversial liberalisation of all calls - including those within individual countries and to countries outside the EC.

Today's meeting with Commission officials will be followed by a similar round of talks tomorrow involving national telecoms regulators. The meetings mark the end of six months of consultations

with member states, consumers, regulators and operators.

Mr Martin Bangemann, the EC telecoms commissioner, and Mr Karel Van Miert, responsible for competition, will then have to decide whether to submit far-reaching proposals to their fellow commissioners and ultimately to EC telecoms ministers, who next meet on May 10. Both commissioners favour more liberalisation, to improve efficiency and competition, but they will probably want to safeguard operators' commitment to provide a uniform service for all consumers.

The main battle among commissioners, and then among member states, is likely to be over the timing of such a plan.

As drafted, it would go too slowly for some telecoms operators, such as British Telecom, and too fast for others, including the German state company Deutsche Telekom. Some member states with less well-developed networks, such as Portugal, Greece, Spain and Ireland, would probably be allowed to delay implementation of the proposals.

But senior Commission officials say even the most reluctant telecoms operators - such as France Telecom and Deutsche Telekom - now accept that a final target of full competition should be set, partly because it would be practically very difficult to stop short at partial liberalisation.

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Norway upbeat on economy

By Karen Fossli in Oslo

NORWAY'S central bank yesterday issued an upbeat outlook for the economy, which has already developed favourably this year.

The bank's quarterly economic review published yesterday said: "The main driving force in 1993 is expected to be an increase in demand both in the household and business sectors." It said policy measures adopted last December, which include a lowering of payroll taxes and increased value added tax, together with currency depreciation are expected to increase industry's competitiveness.

The minority Labour government increased VAT from 20 to 22 per cent and, following the unlinking of the krone from the Ecu last December, the Norwegian currency has weakened by 3 per cent. Since the start of the year, foreign currency inflow has been around Nkr35bn (\$5.1bn). "This means that two-thirds of the outflow of reserves has been recovered," the report said.

Money market rates have fallen nearly four percentage points since late December.

The motion has been brought by the anti-communist KPN party, which espouses populist policies and has been pushing for Mr Lewandowski's resignation since last autumn.

The KPN's move follows the defeat last week of Mr Lewandowski's mass privatisation plan, with subsequent party inquiries suggesting that a no-confidence vote might succeed. Next week's vote will coincide with the government's resumption of revised privatisation proposals.

Mr Lewandowski's statement is aimed at bolstering Mr Lewandowski's position within the coalition and in effect turns the vote into a vote of confidence in the government.

The coalition controls about 210 votes in the 480-member Sejm and relies for its majority on the 26-strong Solidarity trade union group and a handful of independents.

The KLD and its close allies have 52 votes in the Sejm. Were they to withdraw, the alternative would be the imposition of a cabinet by President Lech Wałęsa or new elections.

The KLD is hoping that most parties want to avoid both.

Sejm vote may topple Suchocka

By Christopher Bobinski in Warsaw

THE FUTURE of Poland's seven-party coalition led by Ms Hanna Suchocka could hang on the result of a no-confidence vote in Mr Janusz Lewandowski, the privatisation minister.

Mr Jan Krzysztof Bielecki, the minister responsible for European Community affairs and Mr Lewandowski's party colleague, said yesterday that his group, the Liberal Democratic Congress (KLD), would leave the government if Mr Lewandowski failed to survive the vote.

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Inflation falls to 4% in Spain

By Peter Bruce in Madrid

ANNUAL inflation in Spain fell to 4 per cent in February, the best performance in five years



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EC clears Sony deal on Berlin HQ

By Andrew Hill in Brussels

The European Commission has decided that the Berlin city authorities did not "sweeten" unduly a 1991 property deal with Sony, to persuade the Japanese electronics manufacturer to move its European headquarters to a prime city centre site.

The Commission yesterday closed its 15-month inquiry into the DM101m (\$60.8m) deal, by deciding that the Japanese company would not have to pay extra for the site on Potsdamer Platz, which used to be bisected by the Wall between east and west Berlin.

Brussels has been looking closely at property deals in Berlin, where prices have increased substantially since unification of the city. Companies which are found to have paid less than market value for state-owned properties can be asked to "repay" what amounts to an illegal state subsidy.

Last April, the Commission

ordered Daimler-Benz to make an additional DM23.8m payment to the Berlin authorities, on top of the DM93m which it paid in July 1990 to another site on the Potsdamer Platz.

The Commission applied the same reasoning to the Sony

Following an independent valuation, Brussels estimated that the 30,900 sq m Sony site was worth between DM128m and DM149.5m.

However, it agreed that figure should be adjusted downwards by about DM41.3m to take account of strict conditions imposed by the Berlin authorities.

After adjustment, the Commission estimated that the potential state subsidy in the deal was too small to be significant.

Daimler-Benz has never pursued its initial objections to the Commission's decision on its property deal, and is also believed to be happy with the ruling favouring Sony.

Italian political party accounts belie appearances

By Robert Graham in Rome

ITALY'S political parties have emerged as rich men in bigger clothing from the publication of their annual accounts.

According to the formal accounts of the 16 main parties published yesterday in the official gazette, their combined revenues added up to only L285bn (\$184.3m) in 1991 against declared expenses of L233m. However, their accumulated debts at the end of 1991 totalled L168m.

The accounts have been published after having been sent back to the respective party treasurers for clarification in the light of the current corruption scandals. Even so, they differ widely from the picture being made public by the scores of businessmen and state company managers who have admitted to paying bribes and illicit contributions to the parties over recent years.

On the basis of these confessions and the generalised nature of illicit party funding known to exist, official contributions in 1991 would appear to represent little more than 10 per cent of the real monies collected in the parties' names. Illicit funding of overblown party infrastructures and lay-

ish spending lies at the heart of the magistrates' investigations into corruption which are progressively decapitating Italy's political and business elite.

In theory, all contributions over L1m have to be declared, yet very few such contributions are listed.

Almost as one, the party leaders and treasurers have justified the anomaly between the stated sums received and spent and the existence of illicit funds by the independence of individual branches of the parties. The accounts refer essentially, they say, to the centralised activity of the parties - not to branches or to those areas funding specific factions. Among the Christian Democrats there were about seven of these.

Warning on recovery for Sweden

German steel pay talks end without deal

GERMAN steel employers and unions have failed to find a compromise to avert a strike in eastern Germany next month, writes Judy Dempsey in Berlin.

Inconclusive talks were held this week between IG Metall, Germany's engineering union, and the steel employers association. The union is insisting on a 21 per cent pay rise for its 20,000 steel union members in eastern Germany as part of a March 1991 contract. The employers have offered 9 per cent.

IG Metall said yesterday it would start balloting members in eastern Germany on a strike, although one senior official conceded that the union "did not really want a strike" in eastern Germany.

Small and medium-sized enterprises did not want a strike, he said, nor could they pay a 26 per cent rise. However, it was time "workers in eastern Germany learned to defend their interests."

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French refuse to slam door on Le Pen

The centre-right's landslide has failed to damage the National Front in the south, writes David Buchan

ASSEMBLEE NATIONALE
Elections '93 But there are two rocks of resistance which it has not completely washed over, at least not until the results of Sunday's run-off parliamentary election are in.

The biggest reef which the neo-Gaullist Republican Rally (RPR) and the Union for French Democracy (UDF) liberals have hit is the National Front. Mr Raymond Barre, the centrist ex-prime minister, who by a narrow margin was elected overnight in last Sunday's first ballot, said he had never thought to see the Front do so well.

In fact, the far-right party of Mr Jean-Marie Le Pen scored a relatively low 17 per cent in Mr Barre's Lyons constituency. Elsewhere it was more successful. Five years ago, only one of its candidates reached the second round in the Rhône department's 14 constituencies; on Sunday it will have seven candidates in the run-off to contest the 12 seats which remain

open. One of them is Mr Bruno Gollnisch who came top in his constituency with 24.5 per cent of the vote.

Attracting the support that had gone to a dissident Gaullist who was eliminated in the first round is Mr Gollnisch's main hope of keeping first place in the run-off - and he is convinced that the Front is now firmly embedded as the region's second political force.

Moved to a Japanese whose language and civilisation he teaches at Lyons university, Mr Gollnisch does not fit easily the xenophobic image of the Front, even though he is a member of its national executive.

But he does surround on the threats of immigration and Aids. "This is why people listen to us - we were the ones to break the taboo on talking about these issues," he says.

Like Mr Le Pen, his leader, Mr Gollnisch has no inhibitions about attacking the press and pollsters for underestimating his party.

"The polls are run by crooks or idiots who should know by now that people are more hesitant about professing their support for the Front than for other parties," he says.

He believes that pollsters should build a correction factor into their estimates of support for the Front.

The other point of resistance to the prevailing tide is less a reef than an outcrop, since it consists of one man - Mr Michel Noir, the embattled

mayor of Lyons. Once a rising star of the RPR in whose last government he served as trade minister, Mr Noir formed a breakaway reformist movement a couple of years ago. It went nowhere. Yet the RPR

would probably never have dared take on the mayor of France's second largest city, had they not sensed weakness.

The smell was indeed obvious to all, from the moment Mr Noir became embroiled last year in the "Boton affair". Mr Pierre Boton, once a prominent Lyonnais businessman who is still Mr Noir's son-in-law, is in jail on charges of milking his companies of money that he put to various uses, including free holidays for a prominent TV anchorman, but also the illegal funding of Mr Noir's 1988 mayoral campaign which he managed.

Mr Noir's effort to wipe off the mud were made no easier when earlier this month Mr Boton leaked to the press copies of a letter Mr Noir had written in 1988 detailing how he would be repaying the money to Mr Boton.

But somehow Mr Noir seems to have convinced a number of Lyonnais that he is the innocent victim of a family vendetta. In his attempt to keep his parliamentary seat (which in France can be combined with that of mayor), Mr Noir was less than one percentage point in the first ballot behind Mr Alain Mérieux. Mr Mérieux is the official RPR candidate

and scion of Rhône-Poulenc's Institut Mérieux, which is a world leader in vaccines.

In a Tuesday night radio debate, Mr Noir exploited Mr Mérieux's tactless suggestion that a Noirist Lyons would find itself isolated in an RPR-run France by claiming that his city was being victimised as well as himself.

On Sunday Mr Noir will not be able to count on support which in the first round went to Socialist or green candidates - those parties have told their voters to stay out of the Noir-Mérieux mudsling. But he has one thing going for him - half of the local National Front, which has filed lawsuits against him for blocking their use of municipal meeting places.

The Front's defeated candidate in the constituency, Ms Anne Richard, has called on her supporters not to vote for Mr Noir, and said she will vote for Mr Mérieux. The latter is desperately stressing that he has never solicited her backing, but with friends like the Front he may find himself with too many enemies to stay top in Sunday's poll.

The outcome will be an important test of how respectable the Le Pen party is now considered in today's France.



National Front leader Jean-Marie Le Pen on the campaign trail

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Portugal offers aid to exporters

PORUGAL yesterday announced an Es300bn (£1.4bn) package designed to support exports and help industry through the international recession. Peter Wise reports from Lisbon. Mr António Cavaco Silva, prime minister, said the aim was to help exporters penetrate non-traditional markets, to promote Portuguese products in specific markets and to support companies hit by exchange rate instability and the crisis in the former Soviet Union.

Credit lines worth Esc270m will open at Portuguese banks during the next six months to support exports to 13 non-traditional markets including Israel, South Africa, China, Iran and some Latin American and East European countries.

Power order

Hyundai Engineering and Construction, South Korea's largest building company, has won a \$1.6bn (£1.1bn) order for four 300MW thermal-power plants in Libya. John Burton writes from Seoul.

The contract exceeds the amount of total foreign orders that Hyundai received last year, worth \$1.13bn. It is also equivalent to almost 60 per cent of all foreign contracts that South Korean construction companies obtained in 1992, which totalled \$2.78bn.

Congo oil deal

Techip, the French engineering group, has won an engineering and supply contract in the development of the NKossa offshore oil field off Congo. Alice Rawsthorn writes from Paris.

The budget for the construction of the whole development, which will include two drilling platforms and a production barge, is FF78.5bn (£1.1bn) and Techip has won one of the largest contracts in the project. The field is expected to provide a third of Congo's oil production by 1997.

Tokyo rebuts Japanese bid-rigging helps US case

Robert Thomson reports on political interference in public works contracts

By Michiko Nakamoto in Tokyo

JAPAN hit back yesterday against strong criticism of its trading practices by President Bill Clinton.

The US leader's statement on Tuesday that the prospect of gaining fair access to the Japanese market was "somewhat remote" was based on a misunderstanding of that market, said Mr Noboru Hatakeyama, vice-minister for International Affairs at the Ministry of International Trade and Industry.

"His understanding of the Japanese market is wrong," Mr Hatakeyama told the FT. Japan was the largest market for US agricultural products and the second largest for US manufactured goods. If Japanese markets were really difficult to access, this could not be the case.

President Clinton's statement that the trade imbalance with Japan was the only one that did not seem to change very much was also untrue, said Mr Hatakeyama. Japan's imports from the US had increased in value from \$43.2bn in 1989 to \$52.1bn last year.

It was not appropriate to compare Japan's trade surplus with the situation in other countries since there was a difference in competitiveness, Mr Hatakeyama said. Japan was

more competitive than other US trading partners.

The minister repeated the Japanese government's rejection of the US suggestion that it should set market share targets as a measurement of access. "We are working in a free market which cannot be changed by artificial means," he said. The US-Japan trade balance should be improved through efforts to reduce the US budget deficit and raise US competitiveness, in the government's view.

Mr Hatakeyama welcomed President Clinton's decision not to act unilaterally by raising US tariffs on minivans from 2.5 per cent to 25 per cent but to address the issue "in the context of a larger set of trade issues". Raising the tariff would have been a breach of Gatt rules.

Further Japanese steps to open its markets and expand domestic demand were promised yesterday by Mr Yohei Kono, chief cabinet secretary. The issue would be addressed by Mr Yoshiro Mori, trade minister, during his visit to Washington later this week, he said.

Mr Kono pointed out, however, that the surplus had grown even though the volume of imports into Japan had not fallen. This was in part due to the rise in the value of the yen.

When Japanese prosecutors unearthed evidence that construction companies ranked politicians according to influence, beginning with A+ for the very powerful and down to D for those hardly worth cultivating, they probably helped the cause of foreign contractors in the Japanese market.

The investigation into political corruption has confirmed foreign allegations of bid-rigging and political interference in awarding public works contracts. It has also prompted debate about reform of both the building industry and the political system.

In the past few days, 17 of the country's largest contractors have been raided by prosecutors searching for evidence in a tax evasion case against Mr Shin Kanemaru, the fallen godfather of the governing Liberal Democratic party. But their success in highlighting collusion in the industry will force the Fair Trade Commission, the anti-monopoly body, to take tougher action.

For the US government, the prosecutors have furnished much useful information about the "synergy" between politicians and contractors, with the former providing the latter with contracts and the latter donating to the former a small percentage of a contract's value.

The US has negotiated with Japan for the past decade in the hope of making the contract process more transparent, and had suspected that politicians were a "structural impediment" to a free market. But raising the suspicions during formal negotiations was impossible without causing offence.

Now, damning material gathered by prosecutors is leaked each day to the Japanese press, and the difficulties faced by foreign contractors have been put in a new context. Prosecutors say that politicians simply rang the appropriate government authority to ensure that contracts were awarded to a company which was close to the LDP.

President Bill Clinton will be briefed on construction market access, and he is expected to

Miyazawa (left) and Clinton: construction contract issues will be discussed in Washington talks



EC says US aircraft tax rules unfair

By Paul Betts, Aerospace Correspondent

THE European Commission is expected to accuse the US next week of breaching international civil aircraft trade rules by letting US manufacturers use a controversial financing vehicle to avoid paying tax on aircraft sales.

The EC is threatening to take the issue before a General Agreement on Tariffs and Trade disputes panel.

After a series of renewed US attacks against government support for Airbus, the EC is mounting a vigorous counter-attack on what it claims is increasing administration support for Boeing and McDonnell Douglas.

The EC is especially concerned by the use of a US tax financing vehicle called the Foreign Sales Corporation (FSC) by Boeing and McDonnell Douglas. More than \$6bn (£3.5bn) worth of aircraft are

estimated to have been financed through this technique in the US.

Airbus says such tax benefits are not available to the European manufacturer, and are an unfair export subsidy for the two US companies. "We will certainly press this issue during trade talks with the US in Brussels next week," said Mr Michel Dechelotte, Airbus director of international affairs. He also said Airbus, with 85 order cancellations last

year and a further 20 last week, had been worse hit by the recession than Boeing.

Airbus partners have traditionally relied more heavily on direct support, while US manufacturers have benefited from what the EC claims has been significant indirect government support.

Mr Dechelotte said Airbus was worried the US intended to increase these indirect supports to help its industry during the recession.

Italy tries to curb shoe imports

By Robert Graham in Rome

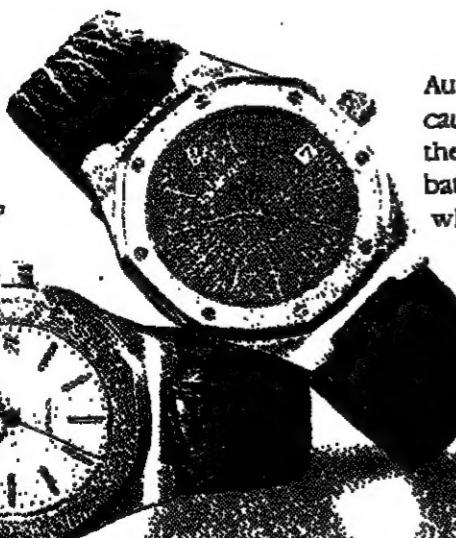
ITALY is seeking to restrict imports of shoes, ceramics and silks - all items which domestic industry is extremely sensitive about - from China, North Korea and Vietnam.

The Italian move appears designed to put pressure on ministers of the Community to resolve the issue of third-country imports.

In the meantime, Italy has given notice that it reserves the right to protect itself under Article 115 of the Treaty of Rome.

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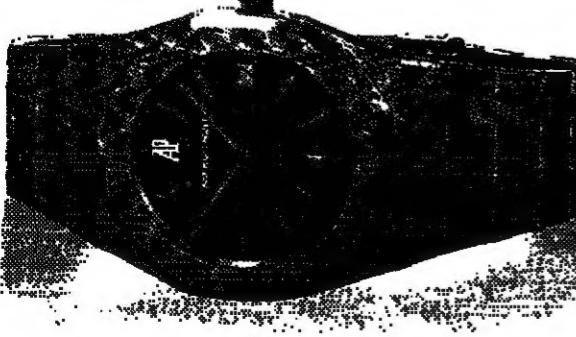
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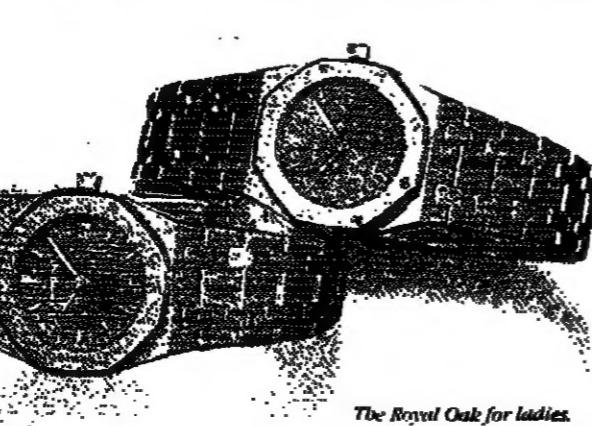
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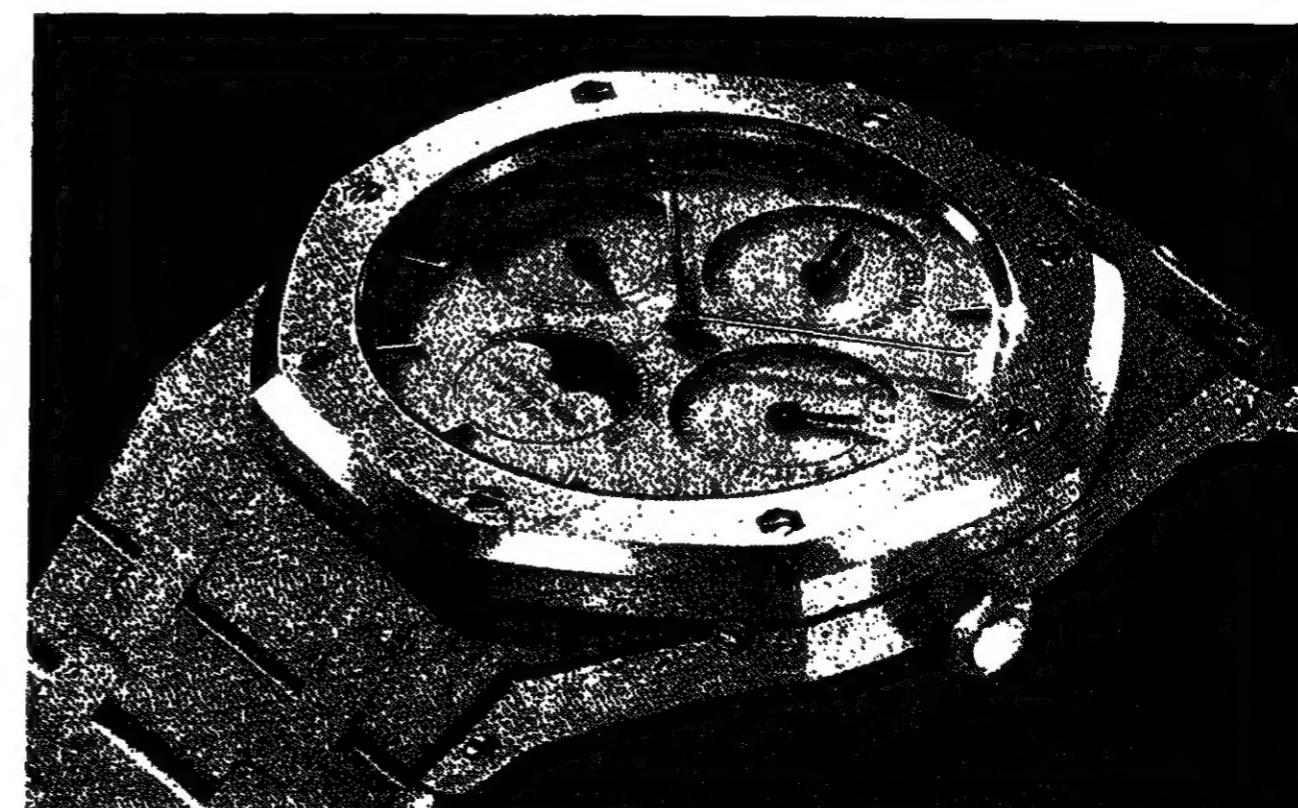


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Japanese retailers report 5.4% fall in sales

By Robert Thomson in Tokyo

JAPANESE retailers reported a 5.4 per cent fall in sales last month, compared with a year earlier, putting added pressure on the government to stimulate consumer spending with an income tax cut in coming months.

The Japan Chain Stores Association said sales had fallen against year-earlier levels for six consecutive months, as consumers, intimidated by the economic downturn, have increased their savings and reduced their spending.

Car and commercial vehicle production was down 1.2 per cent to 1,043,000 units in February, the fifth consecutive month of decline, the Japan Automobile Manufacturers Association said.

Passenger car output, excluding mini-cars, increased 1.1 per cent, but truck production was down 3 per cent, the 19th month of year-on-year decline and a sign of weak capital spending by Japanese companies.

The downturn in consumer confidence has prompted the ruling Liberal Democratic party to consider ways of rekindling demand, apart from an increase in infrastructure investment, as part of a stimulatory package expected to be decided next month.

Mr Hiroshi Mitsuzuka, chairman of the LDP's policy research council, wants an initial draft of the package completed on April 5 for presentation to opposition parties, and says the amount will exceed the Y10,700bn (\$62,573m) emergency package announced last August.

The LDP is also expected to meet opposition parties on April 7 to decide on whether an income tax cut will be necessary to ensure recovery.

Ministry of finance officials are arguing against a reduction, in the belief that a second package alone will be sufficient to achieve a revival in the economy.

N Korea ends 'war footing'

NORTH KOREA said yesterday that it was ending its state of "semi-war" that was declared two weeks ago in response to the annual US-South Korean military exercise, writes John Burton in Seoul.

The Team Spirit manoeuvres, which Pyongyang claimed were a "rehearsal for nuclear war", were completed last Thursday, and US troops who participated in the exercise are leaving South Korea.

The proclamation of a "semi-war" footing was a prelude to Pyongyang's subsequent withdrawal from the nuclear non-proliferation treaty.

North Korea said it was pulling out of the treaty due to the Team Spirit exercise and a demand by the International Atomic Energy Agency to inspect two facilities believed to be connected with the country's nuclear weapons programme.

Officials in Seoul said Pyongyang put the country on a "semi-war" footing to build support for North Korea's next leader, Mr Kim Jong-il, who is gradually assuming power from his father, Mr Kim Il-sung.

Mr Kim Jong-il is believed to face army opposition and the semi-war status was meant to assert his authority over the military establishment.

Vietnamese flee Cambodia

Large numbers of ethnic Vietnamese are fleeing their homes in Cambodia following a massacre blamed on Khmer Rouge guerrillas, the United Nations said yesterday, Reuters reports from Phnom Penh.

UN naval peacekeeping patrols have reported movements of Vietnamese on the Tonle Sap, a lake in the centre of the country, a spokesman for the UN Transitional Authority in Cambodia told a news briefing.

About 100 boats were seen travelling down the Tonle Sap River - a tributary of the Mekong that flows from the lake towards and past Phnom Penh, the national capital, at the weekend.

The exodus follows the killing of at least 38 people during an attack on a Vietnamese village on the Tonle Sap on March 10.

How Xinhua is pulling HK to China

The news agency is midwife of the colony's return to the motherland, Simon Holberton writes

EARLY next month Mr Zhou Nan, director of the Xinhua news agency in Hong Kong, will take a group of about 50 personalities from the colony to Beijing to receive their letters of appointment as "advisers" to China on Hong Kong affairs.

A year ago Mr Zhou presented the leadership with a glittering array of Hong Kong's leading plutocrats, including Mr Li Ka-shing, Mr Henry Fok, Sir Run Sun Shaw - three of the colony's richest men - and a smattering of former civil servants, judges and serving politicians.

This April will be no different, except in one respect. Mr Zhou's latest trophy will be Sir David Akers-Jones, a former chief secretary of the colony, and a British civil servant of the old school. He resigned earlier this week from chairmanship of Hong Kong's Housing Authority - a position from which he had been an opponent of Governor Chris Patten's plans for more democracy in Hong Kong.

What Sir David's and the other 50 or so appointments to Beijing's court will underline is the gravitational pull of China and the correspondingwaning of British power in Hong Kong. From Beijing's angle, Xinhua deserves much credit for hastening that process.

Its headquarters, faced in red

channel for setting up diplomatic ties with Israel last year.

The agency's work in Hong Kong is, however, the standard by which it is judged in Beijing. Mr Li Peng, China's prime minister, ought to be pleased with Mr Zhou's performance since he took over Xinhua in early 1980 from Mr Xu Jiatun - the highest ranking Chinese communist official to defect to Hong Kong's return to the motherland.

Its headquarters, faced in red

wall opposite the Happy Valley race course on Hong Kong Island, houses some 650 mainland officials. Journalists working for the news agency occupy the first six floors of its HQ in Wanchai.

Xinhua's role has changed

with the demands of the time.

During the Cultural Revolution

it agitated against British rule in Hong Kong until Zhou Enlai, China's then prime minister, called a halt.

During the 1970s, when China was still a diplomatic outcast, Xinhua's "foreign affairs" department met diplomatic representatives of countries with which China had no formal ties. More recently, diplomats have been the conduit for unofficial talks with South Africa and was China's

officials from the upper echelons of the party. Mr Zhou, who holds ministerial rank in the Chinese government, is a career diplomat who has served in Pakistan and Tanzania, and at the United Nations.

He was a member of the Chinese team which negotiated the Sino-British Joint Declaration of 1984 and, last October, was appointed to the central committee of the Communist party.

Fluent in English and fond of quoting Shakespeare, Mr Zhou is passionately anti-British. Some analysts attribute this to his early diplomatic experience of former British colonies; others to his first job.

During the Korean War he interpreted for Chinese interrogators of Allied prisoners of war.

"POWs are often scared and they collaborate; their interrogators feel contempt for them," said one observer.

But Mr Zhou's claim to fame may be the accolade he received from Mr Deng after the Joint Declaration was agreed in 1984. UK officials saw him as one who tried to wreck those talks, but Mr Deng is reported to have said he did a good job, a commendation that

has shielded Mr Zhou ever since, but one which may only be good for the term of Mr Deng's life.

Other senior officials of the agency have held senior provincial government positions.

Mr Qin Weiquan, the agency's No 2 deputy director, was the vice-major of Shenzhen, the "special economic zone" to the north of Hong Kong.

His responsibilities include

"co-ordination", or building a broad coalition of "capitalist and bourgeois forces" in opposition to the British.



Zhou Nan: has toughened up his organisation

He reports directly to the party's United Front department in Beijing. Xinhua has opted for the more neutral term "co-ordination" so as not to offend the locals, one employee said.

Mr Zhang Guoxiong, the agency's first deputy director, was formerly head of the Guangdong communist party's personnel department. He covers personnel issues and "social work". Xinhua's liaison with trade unions. He is one of the few senior Xinhua officials who speak Cantonese, the dialect of Hong Kong and neighbouring Guangdong.

The agency puts little trust in its locally recruited staff, a mirror of the Communist party's broader distrust of Hong Kong.

Many of its local employees, who believed in the Joint Declaration's promise of "Hong Kong people ruling Hong Kong" with a "high degree of autonomy", are dejected about the current turn of events. "In theory, what China wants is a smooth transition," says one.

"But in essence they want to control HK from behind the scenes. They are only interested in those who will follow what they say."

De Klerk to crack down on violence

By Patti Waldman
in Cape Town

PRESIDENT F.W. de Klerk told a joint sitting of South Africa's parliament in Cape Town yesterday that he would mobilise military reservists in a crackdown on what he called "barbaric" political violence.

Mr de Klerk has recently been facing a public outcry over attacks on whites by blacks in which several people, including schoolchildren, have been killed. His ministers have raised the fear that such attacks could spark revenge violence, and spiralling inter-racial conflict.

Mr de Klerk said a solution to political violence should top the agenda at multi-party democracy talks due to begin again next week. Parliament would be asked to vote on suspending the moratorium on the death penalty adopted three years ago.

He favoured the death penalty for certain extreme crimes, but MPs would be allowed to vote according to their conscience.

Recalling the slaughter of six black schoolchildren near Pietermaritzburg earlier this month and last Friday's killing of a mother and two children near Johannesburg, he said: "This is barbaric and totally unacceptable in a civilised society." Reservists would be mobilised to boost security forces manpower in an unspecified "action plan" to stabilise troubled areas.

Mr de Klerk called on the radical Pan Africanist Congress (PAC) to distance itself from guerrilla attacks by its military wing, the Azanian People's Liberation Army (APLA), and said police had arrested 15 APLA members. More arrests would follow.

The government would hold the PAC responsible for APLA's actions, he said, but refrained from repeating an earlier government insistence that the PAC repudiate APLA as a condition of its participation in next week's talks.

Black gunmen have killed 10 whites since December in attacks on commuters, a club, a restaurant and a farm.

Weizman elected Israeli president

By Roger Matthews
in Jerusalem

MR EZER WEIZMAN, one of Israel's most colourful and controversial politicians, was yesterday elected as the country's seventh president.

A supporter of direct contacts with the Palestine Liberation Organisation and a man who finds his opinions difficult to contain, Mr Weizman can be expected to push to the limits the remit of his mainly ceremonial post.

"I think I know what I am forbidden to do, but I am not yet clear what I am allowed to do," he said after winning the vote by members of the Knesset (parliament).

Mr Yitzhak Rabin, the prime minister, was quick to enlighten him.

He said Mr Weizman well understood presidential responsibility, which was to unite the people, help the government and advance its goals without being political.

Israel's new president is one of the country's few politicians who have moved from right to left across the political spectrum.

The architect of Israel's six-day victory in the 1967 six-day war, he guided the Likud party to its shock electoral triumph in the 1977 general election and was the only politician in Israel to strike up a personal relationship with President Anwar Sadat after the Egyptian leader's visit to Jerusalem later that year.

Mr Weizman, who learned to fly with the Royal Air Force during the second world war,

PRESIDENT F.W. de Klerk told a joint sitting of South Africa's parliament in Cape Town yesterday that he would mobilise military reservists in a crackdown on what he called "barbaric" political violence.

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Black gunmen have killed 10 whites since December in attacks on commuters, a club, a restaurant and a farm.

Nigeria warned on debt repayments

By William Dewdney in Paris

W

ESTERN creditor governments warned Nigeria yesterday that new loans might dry up if it failed to reduce its \$3bn to \$4bn (22.23bn to £1bn) arrears on official debt repayments.

The warning was issued to Mr Oladele Olaishore, the Nigerian finance minister, who was summoned to appear for two hours before the Paris Club of official creditors to explain why the country had fallen so far behind on payments so soon after its last agreement lapsed a year ago.

"The Nigerians were told that it will be difficult to get new money unless they regularise their payments," said an official. Several creditors feel that they are in a difficult situation, he said. It is very rare



SOUTH AFRICAN children enjoy the excitement of travelling with an armed soldier on the school bus to Eikenhof and Walkerville, south of Johannesburg. Security has been tightened after an attack by black gunmen on a car during a school run in the Walkerville area, when a woman, her son and another child were killed

Keating reshuffle a 'generational change'

By Kevin Brown in Sydney

MR PAUL KEATING, the Australian prime minister, yesterday promoted six backbenchers to the cabinet in a reshuffle designed to keep the Labor party in government for the rest of the decade.

Mr Keating also moved several senior public servants and restructured a number of departments in an attempt to distance the government from the one-year administration of Mr Bob Hawke, the former prime minister.

He said the reshuffle represented a "generational change" which would renew Labor's capacity to govern and prepare the party for the next election, due by mid-1996.

In an unexpected move, Mr Keating took personal responsibility for Aborigines

affairs at cabinet level, one of several non-economic portfolios he has identified as priorities following Labor's election victory last week.

The decision suggests that the government plans to accelerate attempts to achieve reconciliation with Aborigines and to negotiate a compromise on controversial land rights claims.

The other big surprise was the appointment of Senator Peter Cook, the former industrial relations minister, as trade minister within the cabinet. Mr John Kerin, the sacked former trade minister, was not a member of the cabinet.

Senator Gareth Evans remains foreign minister, with the added post of government leader in the Senate.

The economic ministries are

unchanged. Mr John Dawkins stays on as treasurer and Mr Ralph Willis remains as finance minister.

Mr Cole and four other department heads will move to other departments or overseas posts.

The most senior of the new members of the cabinet is Senator Graham Richardson, a long-serving former minister who resigned last year after allegations about his relationship with a businessman facing fraud charges.

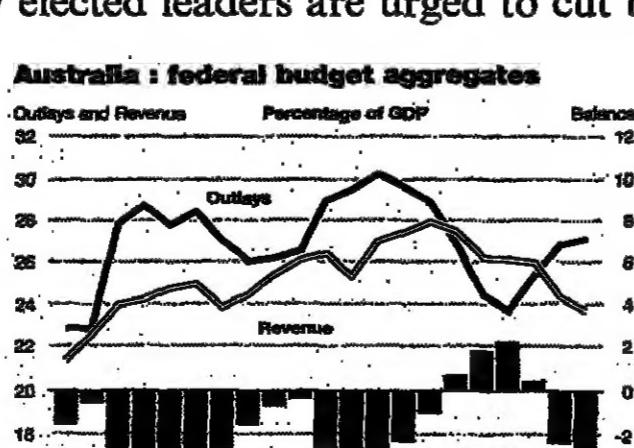
The other new cabinet members are

Mr Alan Griffiths, industry; Senator Bob McMullan, arts; Mr Laurie Brereton, industrial relations; Mr Michael Lee, tourism and resources; Mr Peter Baldwin, social security; Mr Duncan Kerr, justice; and Mr Michael Lavarch, attorney-general.

Mr Baldwin and Mr Griffiths were

formerly junior ministers.

Mr Keating's reshuffle is a "generational change", writes Kevin Brown



Y MARCH 25 1993
Weizman
elected
Israeli
resident
Ofer Matthews
resumes

FINANCIAL TIMES THURSDAY MARCH 25 1993

NEWS: THE AMERICAS

7

Greenspan cautions on tax increases

By Michael Prowse
in Washington

EZER WEIZMAN, one of Israel's most colourful politicians, was yesterday elected president by the seventh president. A supporter of direct negotiations with the Palestine Liberation Organisation and a man who finds his opinions difficult to contain, Mr Weizman is expected to push to the limit of his mandate.

I know what I am

able to do, but I am not

sure what I am allowed to do," he said after winning the support of members of the Knesset.

Yitzhak Rabin, the prime minister, was quick to

congratulate Mr Weizman and President Clinton, which was a

help to the people, help the government and advance its position being political.

Mr Weizman's few policies have moved from right to left across the political spectrum.

A architect of Israel's

in the 1987 and

to be guided by the

shock election in

the 1992 general elec-

tion was the only poli-

citizen Anwar Sadat who

Egyptian leader's visit to

Israel later that year.

Weizman, who learned

the Royal Air Force

in the second world war

and the

Senate backs Clinton tax proposal in narrow vote

By George Graham
in Washington

THE US Senate yesterday narrowly backed President Bill Clinton's proposal to subject a greater proportion of Social Security benefits to income tax, defeating a Republican amendment to strip this measure out of the budget package.

The White House had no doubt the vote would be close, so Vice-President Al Gore who by virtue of his office presides over the Senate, hurried to Capitol Hill in case his tie-breaking vote was needed.

In the event, Mr Gore's pro-



it will necessarily require ever-increasing tax rates. This would inevitably dampen long-term growth prospects.

Addressing possible reforms of the budgetary process, Mr Greenspan rejected a balanced budget amendment to the constitution because it would probably prove impossible to enforce. Instead, he favoured a constitutional amendment stipulating that "all revenue and spending initiatives require super-majorities for example, 60 per cent - to pass both houses of the Congress".

The federal budget deficit was a "malicious force" that was threatening the economy's stability, Mr Greenspan said. He warned Congress not to rely too heavily in the long run on tax increases which "by their very nature restrain business activity".

He was testifying on Capitol Hill following the release of official figures showing an increase in new orders for durable goods of 2.2 per cent last month and 14.5 per cent in the year to February - another strong signal of economic recovery.

Mr Greenspan has previously argued that the Fed should stay aloof from political wrangling about the relative merits of tax increases and spending cuts - decisions which are the responsibility of Congress and the White House.

Without challenging specific elements of the administration's economic plan, Mr Greenspan yesterday appeared

to lend support to Republican critics arguing for greater spending restraint.

He said senators should recognise that "trying to wholly or substantially address a structural budget deficit by increasing revenues is fraught with exceptional difficulties, and is more likely to fail than to succeed".

From 1997, budget outlays

were set to rise appreciably faster than the tax base. If such trends aren't altered, stabilising the deficit-GDP ratio solely from the receipts side, not to mention reducing

Caracas budget deficit set to fall

By Joseph Mann in Caracas

VENEZUELA'S public sector deficit was expected to fall from 3.4 per cent of GDP from more than 6 per cent last year, Mr Ricardo Hausmann, minister of planning, said yesterday.

The deficit is being reduced through a series of measures, including cuts in state spending and increased charges for public services.

If combined with "sunset legislation" imposing explicit termination dates for spending programmes, this might help "neutralise the obvious propensity of our political system towards structural deficits".

The increase in durable goods orders was larger than expected on Wall Street but mainly reflected a 10.9 per cent surge in orders for transport goods which tend to be volatile on a monthly basis. Excluding transport, orders fell slightly.

Orders for non-defence capital goods - excluding aircraft - seem as the best guide to underlying civilian investment trends - rose just over 2 per cent last month and by 15 per cent in the past year.

Congress convened special sessions early this year to consider the tax bills and other issues. The special sessions ended and the ordinary term has begun, but the bills still have not been approved.

Congressmen and senators - facing elections in December - appear to be worried that their already low levels of popularity would be worsened by the imposition of new taxes.

Retired people now pay income tax on 50 per cent of Social Security benefits should income exceed \$25,000 (£17,500) for a single person or \$32,000 for a married couple. The new proposal would raise the taxable portion to 85 per cent.

US politicians have learnt

from bitter experience not to tangle with the elderly, because they vote in far greater numbers than any other age group.



Peru's President Alberto Fujimori: seeking to generate enthusiasm abroad

Government aims to lure wave of investors across Pacific

Peru lays out welcome mat

IF YOU want a new nationality, have money to invest

and can put up a non-refundable cash contribution of

\$25,000 (£17,500), you could soon become a Peruvian.

Last week, Peru waived the two-year waiting period for foreigners wishing to apply for naturalisation. The aim, according to President Alberto Fujimori and Mr Joy Way, a former industry minister, is to encourage immigration by Asian businessmen, especially from Hong Kong.

The government hopes a new wave of immigrants will bring technology, expertise and cash.

Mr Fujimori is predicting a "first wave" of 10,000 immigrants, which would swell state coffers with \$250m to aid emergency social programmes.

"This is not a migration policy, but an investment policy," he said at the weekend.

The drive for foreign investment gained fresh impetus last week when the International Monetary Fund gave the government a long-awaited stamp of approval for its economic reform programme.

Mr Fujimori plans to start

travelling abroad again "to do business". Peruvian and Japanese businessmen have already arranged visits aimed at attracting investment to Peru.

Net direct foreign investment over the past 15 years has totalled only \$500m. Recent

investment commitments - notably Anglo American in the Quellaveco copper deposits, by the Chinese Shougang Corporation in iron producer Hierro Peru, and by Petrotech in the Belco drilling operation off Peru's northern coast - will, if fulfilled, more than double that figure in the next few years.

The country's fledgling privatisations programme is to be stepped up sharply with sales worth some \$1.4bn scheduled for this year alone. Mr Daniel

Hokama, mines and energy minister and head of the priva-

tisation office, is repeating his predecessor's promise to "sell everything the state owns by 1996 - at the price determined by the market".

The main items for privatisation this year are the state mining and mineral companies Centromin, Mineropern and Tintaya, the telecommunications sector, a slice of the nation's electricity industry,

fish-meal and fish-oil company Tesca Peru, two state controlled banks, and part of oil giant Petroperu. All are among Peru's top dozen companies, in turnover if not profit terms.

Foreign consultants and

per cent as the tax base is widened; a hefty cut in taxes paid by industry for basic services such as electricity, communications and fuel; implementation of a tax incentive scheme for exporters; and a sharp reduction in borrowing costs for business which are around 18-20 per cent.

It also favours drastic measures to halt large-scale smuggling. Industrialists estimate Peru is being flooded with illegally imported goods worth \$1bn a year, a third of the value of legal imports.

Austere fiscal management and a two-year squeeze on liquidity, meanwhile, has failed to eliminate inflation. Monthly price rises are still running at around 4 per cent.

Mr Jorge Camet, the new economy minister, is promising "at least" 3.5 per cent growth this year and gradual progress in reducing inflation, devaluing the sol and cutting interest rates.

Opinion polls show popular approval of the economic programme at its lowest level (27 per cent) since August 1990's "shock" price adjustments. Economists remain suspicious that, without the uncompromising (and recently sacked) Mr Carlos Bolona at the fiscal and monetary helm, Mr Fujimori may veer from economic discipline towards economic populism.

Sally Bowen on

plans to attract immigrants with money to spend

Peru's continuing domestic economic ills. Recession stubbornly persists, with industry working at only 45 per cent capacity and gross domestic product still contracting after last year's 2.7 per cent fall. The sol remains heavily overvalued, making exports unprofitable and imports cheap.

Industry has been further

squeezed in the drive to raise

tax revenue. The manufacturers' society SNI claims industry currently contributes 59

per cent of all fiscal income.

The society's recipe for eco-

nomic revival includes a cut in

value added tax from 16 to 5

per cent as the tax base is widened; a hefty cut in taxes paid by industry for basic services such as electricity, communications and fuel; implementation of a tax incentive scheme for exporters; and a sharp reduction in borrowing costs for business which are around 18-20 per cent.

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ready for
fight over
coal pits

By David Owen, Home Affairs
and Michael Smith

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it won't be
a waste of energy.

British Gas

هذا من الفضل

pursuit
take

NEWS: UK

UK 'leads world' in meeting Rio targets

By Bronwen Maddox
and Paul Cheeswright

MR JOHN MAJOR, the prime minister, yesterday claimed that "the environmental buck stops in our backyard" and that Britain was in the international lead in implementing the targets set by the Rio Earth Summit.

Speaking at the opening of the Global Technology Partnership conference in Birmingham he announced a package of measures to help businesses adopt new technology and to encourage energy efficiency.

The UK would also publish its plan for "sustainable development" - one of the policies agreed at Rio policies - by the end of the year, he said.

Opposition MPs and environmentalists attacked the new technology measures as insufficient and said that the energy efficiency schemes were not new and would do little to cut carbon dioxide emissions.

Mr Andrew Lee of Friends of the Earth, the pressure group, called the speech "an own goal. Now that Mr Major has claimed that the buck stops here he cannot make the UK's target of returning CO₂ emissions to 1990 levels by the year 2000 conditional on similar action by other countries".

The new measures

Proposals for a register of contaminated land have been abandoned after "substantial criticism", the government said yesterday following weeks of speculation.

Mr Major also cited two recently-launched energy efficiency schemes in the UK's plan to combat global warming.

• The Energy Management Assistance Scheme, in operation since April 1992 to encourage energy efficiency in small businesses. Companies with up to 500 employees worldwide can apply for grants from the department of the environment to cover up to 10 per cent of the costs of energy efficiency projects which offer a good chance of achieving energy savings of more than 10 per cent. The DoE's energy efficiency office has received 1000 applications and payments to companies are running at £15,000 a week.

• The Energy Saving Trust, one of the main "green" pledges in the government's election manifesto last spring. The Trust is intended to identify ways in which the gas and electricity utilities can help householders save energy.

• A Hands-On Training Scheme, through which the department of trade and industry will meet half of the costs of British companies offering training to executives from companies overseas. The eligible

announced are:

• A global technology partnership initiative "to create a green virtuous spiral of growth and higher environmental standards." The scheme will run for three years. Companies will be asked to help counterparties in industrialising countries to bypass old technologies.

• A Hands-On Training Scheme, through which the department of trade and industry will meet half of the costs of British companies offering training to executives from companies overseas. The eligible

BP rejects operators' criticism of budget plans

By Deborah Hargreaves

BRITISH Petroleum hit out yesterday at claims made by other North Sea operators that the oil tax changes announced by the government would severely curtail exploration activity in the UK.

But oil rig owners said they had already seen four drilling programmes cancelled since the budget last week.

Mr Norman Lamont, chancellor of the exchequer, said in the budget he would reduce the rate of Petroleum Revenue Tax (PRT) from 75 per cent to 50 per cent. He also abolished tax allowances for exploration.

The divergent views between winners and losers of the government's largest overhaul of North Sea taxes for 10 years are leading to a serious row in the oil industry.

Mr John Brown, BP's exploration director, said comments by the UK Offshore Operators' Association, the industry group, denouncing the chancellor's reforms were "hasty and inappropriate."

He maintains the PRT reforms are overdue because the taxpayer has spent 30 years of subsidising what has often been wasteful oil exploration. The number of wells that make commercial oil finds has dropped in the past five years from one in four to one in seven, according to BP.

But rig owners have also issued warnings of the consequences of the budget proposals. Mr Mike Salter, chief executive of Smedvig, a drilling rig operator, who is also chairman of the British Rig Owners Association, said the proposals are going to increase the number of idle rigs.

He said 40 per cent of the drilling rigs in the North Sea are already idle after exploration work fell by 32 per cent last year because of low oil prices and high costs.

Germany remains the biggest single market for British clothing and textiles with sales of £580m, slightly lower than in 1991.

The report was, however, optimistic on the long term effects of the weakness of sterling on import substitution increased export opportunities.



Oil rig construction at yards such as SLP on Teesside, above, could be cut amid complaints at government budget proposals

Tax regime threat to rig makers

Andrew Taylor on PRT and North Sea oil and gas fabricators

THE threat by Amerada Hess to halve its North Sea oil exploration programme bodes ill for Britain's offshore oil and gas fabricators.

Amerada, one of the most active companies in North Sea exploration, has threatened the cut if the government goes ahead with budget proposals for changes in the petroleum revenue tax regime.

Rig manufacturers have already seen a dramatic drop in work since the Autumn. Two thirds of the 18,000 workers employed six months ago in fabricators' yards have lost their jobs. One yard has been mothballed.

Further rationalisation and closures are inevitable, says the industry, with capacity running well ahead of orders. A desperate situation could be made even worse if oil producers further reduce exploration. Some fabricators may be forced to pull out of the market altogether.

The industry believes that up to half the 12 yards oper-

ated by the seven largest fabricators - Amec Offshore, Highlands Fabricators, McDermott Scotland, Redpath, RGC, SLP and URS Scotland - may be vulnerable.

Mr Syd Fudge, chairman of the Offshore Manufacturers and Constructors Association, which represents the seven fabricators, fears that the few remaining opportunities for British companies to tender for North Sea work may be reduced even further as a result of the Conservative government's policies.

Under the budget PRT proposals, extraction from existing fields will become more economic, whilst operators will no longer be able to offset exploration costs against the profits from existing fields.

The changes could not have come at a worse time for fabricators. A large drop in orders had been expected as the North Sea construction cycle began to ebb.

Investment emphasis is likely to change - most of the large more easily extractable

oil and gas fields were discovered when oil prices were equivalent of \$40 to \$50 a barrel in today's money.

Future fields are likely to be smaller, more complex and more costly to develop, say producers. Recession, and the fact that oil prices are not expected to rise substantially in real terms, will limit further spending.

Investment, they say, is more likely to be in repair and maintenance rather than construction of large new rigs. Production facilities are likely to be smaller, with new units hooking up to existing larger production platforms.

This will mean less need for large assembly yards many of which are in the former shipbuilding areas of north east England and Scotland.

Companies are looking to overseas work to offset the decline. In most cases this will involve selling management expertise rather than providing employment for British workers, materials and components suppliers. The exception is for work for the Norwegian sector of the North Sea, but competition is tough, and tends to favour the home players.

UK trade deficit in clothing at record £3.8bn in 1992

By Daniel Green

BRITAIN'S trade deficit in clothing and textiles reached a record £3.8bn in 1992, almost one third of the total trade deficit, according to an industry report published today.

Imports rose 7 per cent to £9.6bn as overseas manufacturers took advantage of the strength of sterling before it left the ERM in September 1992, says the report from the Apparel Knitting and Textiles Alliance (AKT), the industry's representative body.

"The continuing erosion of the industry's home base by imports is an extremely worrying trend," said Mr Allan Nightingale, the chairman of AKT.

The strongest rise in imports was in clothing, 18 per cent higher in the final quarter of 1992 compared with 1991; the orders were placed before sterling's devaluation.

Hong Kong remains the largest supplier of apparel to the UK, with sharp growth registered from other parts of Asia and Eastern Europe.

UK exports rose more slowly than imports but nevertheless reached a new record of £4.8bn, up 6 per cent on 1991.

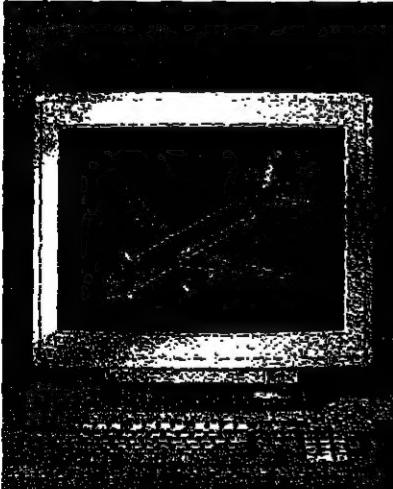
Clothing exports rose 13 per cent in the final quarter to a record of more than £2bn.

Germany remains the biggest single market for British clothing and textiles with sales of £580m, slightly lower than in 1991.

The report was, however, optimistic on the long term effects of the weakness of sterling on import substitution increased export opportunities.

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MANAGEMENT: MARKETING AND ADVERTISING

Out of step on the catwalk

The fashion show may have had its day, writes Alice Rawsthorn

This time last week more than 2,000 journalists, photographers, store buyers and socialites squeezed into a courtyard of the Louvre museum for the traditional highlight of the Paris fashion collections: the Chanel catwalk show.

For years other fashion houses have tried and failed, to trump the theatricality of the Chanel show. But times are changing. The pressures of recession, combined with the neo-hippy ethos of the early 1980s, has prompted some fashion designers to reassess their attitude to fashion shows.

Yohji Yamamoto and Comme des Garçons, the Japanese designers, scaled down their shows last week. Others, including Martin Margiela,

charged up to \$20,000 a show. The industry can no longer afford such extravagance. The Paris designers' sales fell from FFr100m (£600m) at their 1990 peak to FFr4.3bn last year, according to the Chambre Syndicale, which organises the Louvre shows. Many fashion houses have serious financial problems. The latest issue of Harper's Bazaar, the US fashion magazine, questions whether expensive shows are justifiable in an article entitled "Must The Show Go On?"

Ostentatious shows are also out of time with the times. The informal fashions of the early 1980s look lost in the huge Louvre marques, as do the new breed of "wraith" models, Kate Moss and Lucie de la Falaise, who have ousted the supermodels.

Yohji Yamamoto and Comme des Garçons left the Louvre this season. "Money isn't the issue," said Comme, which presented its collection in a deserted vegetable market. "It's a question of mood."

Younger designers refuse to show in the Louvre as part of their rebellion against the fashion establishment. The most fashionable events in Paris last week were staged in night clubs, art galleries or, in the case of Yohji-Yohji's show, the toy department of the Samaritaine store.

Martin Margiela, a leading avant-garde designer, went further by abandoning his show. He presented his clothes personally in his studio and filmed his collection in a "home movie" video to create a "more empathetic environment" for his work.

Other designers may follow by cancelling or scaling down their shows. This raises the risk that fewer journalists and buyers will come to the Paris collections, thereby jeopardising the city's status as the international fashion centre and imperilling the Chambre Syndicale's plan to move the catwalk shows this autumn to a permanent complex under the Louvre.

In the long term the decline of the conventional collections may make it more difficult for young designers to make their names on the international scene. It could also force the established houses to spend more on conventional marketing, which could be even more expensive than fashion shows.

The cost of shows escalated in the buoyant fashion market of the 1980s. The designers were trapped in a vicious cycle of staging increasingly spectacular shows to generate media coverage so they could reach the ordinary consumers who bought their licensed products, such as Chanel No5 perfume and Christian Dior tights. The chief beneficiaries were the super-mods, Linda Evangelista or Claudia Schiffer, who by the late 1980s

did not stage shows at all.

The fashion show, which lasts for around 40 minutes and costs anything up to \$500,000 (£247,000), is a critical part of a designer's marketing strategy. It is not only their largest area of promotional expenditure but replaces conventional advertising as their chief vehicle for communication with the media and their retail customers.

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Profits and the white-collar conscience

John Gapper looks at the Co-op bank's success

On of the most difficult

problems facing British

retail banks is how to

attract the right custom-

ers. The explosive growth of

personal bank accounts during

1990 has gained banks many

customers with unprofitable

accounts. They are now trying to

improve the mix by being more selective.

The customer that banks want

has two characteristics: he or she

holds a high balance in a current

account, thus providing the bank

with deposits it can re-lend, and so

paying for the cost of clearing

customers; and he or she is likely to buy

other products such as insurance.

This has led many banks to con-

centrate on "high net-worth"

individuals, well-educated, aged 35-40,

with a white-collar job, paying at

least £20,000 per year. The banks'

marketing challenge is to devise

ways of sifting out these sort of

customers.

An astute way of doing so has

been discovered by the Co-operative

Bank, a small bank owned by Co-op

Wholesale Society. It has

been running a film advertising

campaign in cinemas and newspa-

pers advertising the bank's "ethical" stance towards selecting business. The advertisements emphasise that the bank does not deal with companies involved in blood sports, factory farming and the production of animal furs. It also refuses financial services to tobacco companies, cosmetics manufacturers, who test products on animals and companies

that pollute, because of its roots in the early socialist movement. Yet it is well-placed because it has always attracted public-sector professionals such as architects.

The campaign is intended to reinforce this market position and boost products such as the gold card

which it offers to high earners.

There was internal debate about

making the stance public because

directors were concerned it could

repel people. Thomas says it lost a few accounts from disgruntled customers. It has also faced external challenges. The Chemical Industries Association and the Cosmetics Association complained to the Advertising Standards Authority about references in advertisements to the "spewing of toxic waste" and animal testing. Both complaints were rejected.

Despite the hurdles, the campaign has been effective in appealing to a precise set of customers whom most retail banks now covet. Efforts by others to appeal to individuals with both finely tuned social consciences, and money to spend, would not come as a surprise after the Co-op's success.

Companies underestimate client loyalty, argues Lucy Kellaway

Keeping hold of the customer

C ompanies have long known

that the customer is king,

yet when a customer

abandons few are aware of the

reasons for it.

Evidence from the US and the

UK shows it can be up to five

times cheaper to serve existing

customers than to get new ones.

Yet most businesses still put more

effort into increasing the size of

their market than keeping the

sector they have already.

According to Price Waterhouse

Management Consultants, British

industry loses £100m a year in

sales when customers defect and

a similar amount in marketing,

sales and distribution expenses.

In a survey of the UK's top 200

companies Price Waterhouse

found that barely 10 in keep tabs

on how many customers

leave them each year. Only one

third provide any link in staff

pay to customer satisfaction,

while nearly half admit their sales

are inadequate to meet the needs

of their existing customers.

In the US, companies are keener

to monitor their clients, but are

still no closer to keeping them.

According to Frederick Reichheld,

of consultants Bain and Company,

most companies' attempts are

ad hoc at best.

Writing in the latest Harvard

Business Review, Reichheld

argues that customer loyalty

should be the first building block

of a business plan. Such an

approach can reap handsome

rewards: MBNA, a credit card

company, found a 5 per cent rise

in customer loyalty increased

profits by 80 per cent after five

years.

The first step is to find the right

customers – those that are likely

to stay for the long haul – and

also identify the wrong ones –

those that are transient or a drain

on a company's resources. While

it is not always easy to spot the

stayovers, those who come through

personal referral are usually more

loyal than those responding to

an advertisement. Older people

and home owners are more likely

to stay.

For each company the target

group of customers will be

different; the more homogeneous

AIRCRAFT FOR LEASE

NOTICE TO THE HOLDERS OF 10,545
INDENTURES SERIES 2 OF
GENERAL TRUST OF CANADA INC.

General Trust of Canada Inc. has decided

to pay off the 10,545 indentures, serial

21.

General Trust of Canada Inc. is writing to

the persons which will be addressed shortly at

a general meeting of indenture holders.

At the time of this notice and place of the meeting

will be published in the *Financial Times*.

MONDAY, APRIL 4TH
DAY OF MARCH 1993

MELBOURNE, AUSTRALIA,
CORPORATE SECRETARY

LEGAL NOTICES

No. 019346 of 1992
INTERIM DIVISION OF
COMPANIES COURT
Mr Justice Buckley

IN THE MATTER OF
TRINITY INSURANCE COMPANY
LIMITED
AND
INTERIM DIVISION OF
COMPANIES ACT

NOTICE IS HEREBY GIVEN that the Scheme

(the "Scheme") dated 31st

December 1992 proposed between Trinity

Insurance Company Limited (the "Company")

and the Scheme Committee has

been sanctioned by the High Court of Justice,

London, by an Order dated 17 March 1993. The

Order came into operation on 21 March 1993 and accordingly, the Scheme is effective from that date. A resolution

approving the Scheme was passed by

the General Meeting of Creditors held on

12 February 1993 by the majority required

pursuant to section 425 of the Companies Act.

Andrew Skarzynski
on
071-873 3607

Mark Hall-Smith
on
071-873 3460

Tricia Strong
on
071-873 3199

JoAnn Gredell
New York
212 752 4500

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YOUR DAILY UPDATE FROM DUBLIN TO DUBAI.



INVENTORS often fall in love with their ideas and find it hard to stop talking about them. But ask them what their advice would be to anyone else struck by an original idea and keen to make it commercial, and their reply tends to be: forget it.

"It takes a lot of courage, faith, and obstinacy," says James Dyson, a successful designer-inventor whose products include the Ballbarrow - a wheelbarrow with a pneumatic ball instead of a wheel - and a new vacuum cleaner using high-speed cyclone technology.

"Having the idea is the easy bit," comments John Endacott, an engineer who has invented a new type of oil and water separator for offshore oil fields which has been licensed by two companies. "My advice to anyone coming up with a new invention is: think about it, enjoy thinking about it, and then throw the idea in the bin."

That is where most ideas end up anyway, since the success rate for inventions is tiny. Gazing round his spacious London office, one experienced patent expert says resignedly: "Ninety per cent of the files in this room relate to nonsense - but I don't know which ones they are in advance".

John Fisher, technical director of PA Consulting Group, agrees that invention is the easy part. "But bringing a product to commercial success is extraordinarily hard." This is a problem for big companies as well as individuals and small enterprises. In his view, "the risk associated with innovation is due much more to incorrect market evaluation than technology failure".

Although the words invention and innovation are often used to mean the same thing, there is a

'What is not realised by many companies is that if they don't innovate now, they've absolutely had it'

dividing line. An invention is an original idea or product which may or may not be developed into something people want to buy. Innovation is described by the Confederation of British Industry as "the successful exploitation of new ideas"; the definition includes not just research and technology, but also management, marketing and training.

Nor is there a simple link between scientific discovery and economic competitiveness. "We need to recognise that innovation is as much market-led as it is science-

Making bright ideas shine

Successful inventions are one in a million. Andrew Fisher begins a series on how to avoid the pitfalls

driven," asserts Howard Newby, chairman of the Economic and Social Research Council, an independent government-backed body.

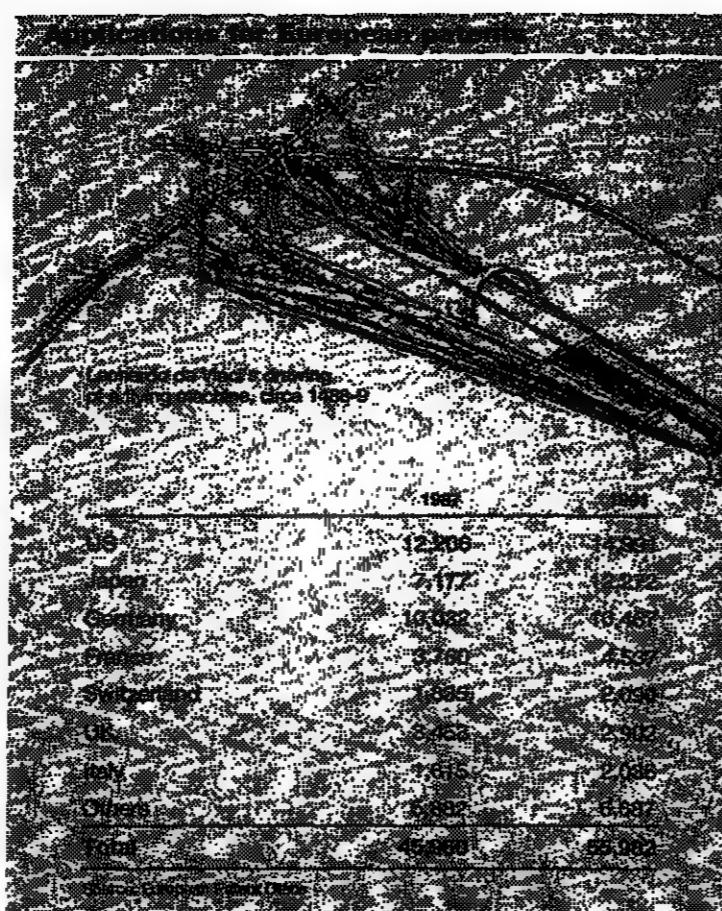
Thus the whole discussion about whether enough good ideas - from whichever end of the industrial scale they stem - reach the commercial stage applies to big as well as to small and embryonic companies. The Department of Trade and Industry and the CBI are keen to help make UK industry more innovative. A joint DTI/CBI study found that only one out of 10 British companies was truly innovative, though three in 10 performed well in many aspects of the innovative process, which it defined very widely.

Since a survey last year by CHI Research for Business Week listed no UK companies in its worldwide ranking of the top 25 by technological strength based on US patenting data - there were 11 each from Japan (including the top four) and the US, two from Germany (Siemens and Hoechst), and Philips from the Netherlands - it is clear that some form of action is required. UK companies also rank well below foreign concerns in their spending on research and development.

Apart from the DTI's intensified efforts to promote innovation, not just in technology, the government also adopted a more pro-manufacturing stance in its latest budget. But many inventors, management experts, and industrialists - whether or not they are sceptical of the government's efforts - believe there is a cultural anti-industrial bias in Britain which tends to inhibit innovation and the adoption of new ideas.

This in turn, allied with the increasing difficulty of obtaining small-scale finance, means that inventors wishing to commercialise their ideas face a minefield of problems. "The NIH (not invented here) syndrome was invented in the UK," says Paul Ambridge, a Design Council official who also chairs the Institute of Patentees and Inventors.

Apart from deciding whether to have prototypes built, take out patents at home and overseas, license their ideas to bigger compa-



nies, sell shareholdings to outside investors, or simply give up when the going gets too tough or the money runs out, inventors also have to develop an understanding of the market. Many have no idea where to start and are liable to run up against a wall of indifference when approaching companies.

The general perception of an individual inventor," says Hilary Trudeau, an innovation consultant, "is of someone with a propeller on their head who spends three hours in your office and comes up with a silly idea. Some are like that." She has set up Support for Innovation, which sets out to screen ideas so that only the best are presented to potential licensors.

This is a vast untapped source," believes Colin Mason, senior lecturer in economic geography at Southampton university, who has studied this type of financing. An additional benefit comes from the availability of management experience as "angels" tend to take a close interest in the operations in which they have invested.

"I'm totally convinced that 'angels' are an idea whose time has come," he adds. "They are virtually the only source of equity finance under £500,000." However, mechanisms for putting potential (or so-called virgin) angels in touch with those needing money are almost non-existent in the UK, although the DTI is funding a two-year pilot scheme to set up business introduction services.

With very little venture capital directed towards thrusting new and risky high-technology ventures in these recessionary days, many inventors have to turn to their high street banks. Despite the wave of recent criticism directed at the UK clearances, however, not all inventors are dismissive of their efforts to help. But only National Westminster has a fully fledged Technology Unit, whose senior manager, Duncan Matthews, admits that "banks are technophobes".

He too, finds the "business angel" concept an intriguing one and is looking at how Natwest could play a part in helping it develop. His experience with helping to finance technology-based companies has taught him their potential. "This is one area likely to have the most rapid growth."

Sir Clive Sinclair, pioneer of the pocket calculator, the digital watch, and the personal computer, believes the British public is receptive to new ideas, but that finance to implement them is harder to come by than abroad.

"What is not realised by so many companies is that if they don't innovate now, they've absolutely had it," he believes.

His bike electric bicycle - which looks like being more successful than the earlier CS electric vehicle, which flopped - is being manufactured by a German-owned company, Tudor Webasto, whose chief executive, Alan Garnett, is seeking new product ideas to supplement its main business of car sunroofs.

Garnett is a firm believer in innovation as a key to economic progress and warms against the tendency to take too short a term a view. "We're in danger in this country of getting into an almost survival-type culture where all corporate energy is devoted to satisfying shareholders and end-year balance sheets. We should be looking to the next generation of products."

The series continues next week by offering practical steps for getting ideas to market.

Solar energy is ideal for the remote islands, writes William Keeling

Throwing light on Indonesia

The village of Telaga Said in north Sumatra has progressed little. Last century, elephants were required to transport heavy loads to it. Today, the preferred means is a caterpillar truck.

However, Telaga Said has also been at the forefront of industrial development. In 1895, oil was discovered in the village, giving birth to the Royal Dutch/Shell Group. Three years ago R&S, a Shell affiliate, used the village to market an alternative energy source for rural communities - solar power.

About 55 per cent of Indonesia's 185m people do not have access to electricity. With the population spread over 13,000 islands the problem of supplying electricity to the remote communities is immense.

Donor agencies estimate the cost of extending the grid off the main island of Java at up to \$3,000 (£2,000) per rural household, and say the government's rural electrification programme is responsible for losses made by PLN, the state utility, estimated at \$300m a year.

These losses are comparable to those suffered recently by the solar industry which "has focused 95 per cent on technological development and 5 per cent on product development", explains E de Lange, general manager of R&S in Indonesia.

De Lange believes the future lies in supplying single 50-100 watt panels to households. The systems, with proven reliability, can run small appliances such as lights and radios, providing an entry for the 80 per cent of the world's population which lack access to electricity.

"My long-term vision is that all households could use solar energy and the government could concentrate on commercial supply," he says. In the current Indonesian market of about 30,000 panels a year, companies are struggling to break even.

Jonathan Hall, manager of BP Solar in Indonesia, believes the market for solar energy can be divided between "high-volume single-panel systems and high-margin niche applications". He says more sophisticated multi-panel units are efficient for supplying rural hospitals, telecommunication installations and village water systems.

Companies expect both market segments to grow. With a solar home system retailing at about \$600, the government and foreign donors are taking an interest.

A \$30m World Bank loan to provide 40,000 single-panel home installations may be forthcoming, following the recent completion of an Indonesian government \$1.65m pilot scheme which supplied 3,000 homes. An even grander proposal, supported by the research and technology ministry, envisions a \$450m project supplying a total of 50MW over six years to 1m households.

But there are significant obstacles to these projects. Once dealer margins are included, the systems are barely affordable. The network of local co-operatives, through which revenue would be collected, is weak and problems of non-payment could arise. The government's project would require greater local content in the systems, which could lead to a loss of quality.

Foreign companies are willing to invest in manufacturing facilities in Indonesia but only with guaranteed advanced sales. In the higher-margin bracket, BP Solar's sales include a communication system for Java's railway network. R&S is undertaking a \$10m project this year to supply 30-panel systems to a further 270 health centres.

Solar energy's long-term viability, however, cannot depend on a clutch of million-dollar, donor-financed, projects. Hall and de Lange agree more emphasis must be paid on product and market development and less to technological research.

Some officials speculate the industry, in its early days dominated by significant oil conglomerates, might be better served by companies which could use the technology to broaden their market base, such as in the sale of cheap electronic appliances.

However, where such companies have a stake - Philips, the Dutch electronics company, has a holding in R&S and Siemens of Germany has a solar subsidiary - the link between solar power and product development remains weak. The real battle may be to persuade companies that those without electricity represent a market at all.

FT CONFERENCES

FT - CITY COURSE

London, 5 April - 24 May

Senior practitioners explain the financial markets of the City with presentations on the Stock Exchange, banking, insurance, pension funds and commodities markets. Also covered will be debt markets, risk management, financing, regulation and the outlook for the City. The course is held one afternoon a week for eight weeks and is structured to provide opportunities for questions and discussion.

FINANCIAL INNOVATION - NEW DIRECTIONS FOR THE 90s

London, 25 & 26 April

Arranged jointly with the Centre for the Study of Financial Innovation, this high-level meeting will review the role of innovation in financial services, assess the risks and rewards and examine future trends. Speakers include: Mr William Rhodes, Vice Chairman, Citicorp; Mr Sam Cross, Former Executive Vice President, Federal Reserve Bank of New York; Mr John Heimann, Chairman, Global Financial Institutions, Merrill Lynch & Co; Mr Rei Masunaga, Deputy President, Japan Center for International Finance; Mr Dennis J Keegan, Chief Executive Officer, Salomon Brothers Europe; Mr Michael Fowle, Senior UK Audit Partner, KPMG Peat Marwick; Mr John Grout, Director of Treasury, Cadbury Schweppes plc; Mr Andrew Large, Chairman, Securities and Investments Board and Mr Anthony Nelson MP, Economic Secretary, HM Treasury.

ASIAN ELECTRICITY

Singapore, 25 & 26 May

This topical conference, arranged in association with Power in Asia, brings together senior representatives from governments, utilities and the financial community to discuss the latest policy positions on privatisation in Asia; consider the financing and structuring of power projects and review future fuel choices in the region. Speakers include: Dr Piyasavasti Amranand, Deputy Secretary General, The National Energy Policy Office, Thailand; Mr K Balaraman Reddi, Chairman, Andhra Pradesh State Electricity Board; Mr Daniel Ritchie, Director, Asia Technical Department, The World Bank; Mr Daniel Bettembourg, Vice President & Member of the Board, Companhia de Electricidade de Macau and Mr Kenneth Binning, Director of Government Relations, Rolls-Royce plc.

NORTH SEA OIL & GAS

London, 7 & 8 June

The conference will provide a review of exploration and production activity and consider the importance of North Sea assets to energy companies. The prospects and challenges facing operators and contractors in a mature sector will be discussed and the investment outlook assessed.

WORLD GOLD

Istanbul, 14 & 15 June

This annual FT event brings together authoritative contributors from South Africa, North America, Europe, Australia and the Far East to discuss the current outlook for gold and consider future market trends. Speakers include: Mr Robert Guy, N M Rothschild & Sons Limited; Dr Rüdiger Saracoglu, Central Bank of the Republic of Turkey; Mr Peter A Allen, Lac Minerals Ltd; Mr Moritz Aoyagi, Sumitomo Metal Mining Co., Ltd; Mrs Agnes Jacks, Rio Tinto Management Services South Africa (Pty) Ltd and Mr David Pryde, JP Morgan.

All enquiries should be addressed to: Financial Times Conference Organisation, 102-108 Clerkenwell Road, London EC1M 5SA. Tel: 071 814 9770 (24-hr answering service). Telex 27347 FTCONF G. Fax: 071 673 357 53069.

PEOPLE

Brooks extends her Sotheby's empire

Diana Brooks, president and chief executive of Sotheby's North and South America, has had her empire extended after her region did somewhat better than the rest of the group in difficult conditions last year. She stepped up to the presidency created position of president and chief executive officer of Sotheby's, in charge of the auction house's business worldwide.

Michael Ainslie, 49, remains president and chief executive of Sotheby's Holdings, the parent company of the auction, finance and real estate operations. He explained that Brooks' promotion would enable him to spend more time with major international clients and on strategic decisions, but one analyst, who commented that the real substance of Ainslie's role remained unclear, surmised that 42-year-old Brooks was now effectively chief executive.

Whereas she used to report to Ainslie alongside Roger Faxon, managing director of Sotheby's Europe, and Julian Thompson, chairman of Sotheby's Asia, Faxon and Thompson now report to her. The other parts of the group have underperformed America, and market share has been lost to Christie's, the traditionally less aggressive rival. In 1992 Sotheby's pre-tax profits fell from \$21.5m to \$5.49m.

A Yale graduate with a degree in American studies, Brooks joined Sotheby's in 1978. Six years later she was made chief operating officer, before becoming president of North and South America in 1987 and chief executive officer in 1990. She has built herself a formidable reputation on both sides of the Atlantic. "Dede shoots from the hip and doesn't tend to miss," says one observer who has watched her in operation.



British Rail people hog the track

Discouraging news on the rail privatisation front yesterday as former BR boss Robert Horton named the people who will help him run Railtrack, the government-owned company due to take over ownership and control of BR's tracks.

Industry watchers had speculated that one of Horton's first actions as Railtrack's chairman designate would be to set up a management team interposing fresh talent from the private sector among traditional railway managers.

Instead, all but one of the 11 executives named yesterday are ex-BR and the odd one out comes from the Department of Transport.

Few of the names are particularly well-known outside transport circles. One executive



will be John Edmonds (right), 58, formerly BR board member responsible for common services such as procurement and research. Director of major projects will be Gil Howarth, 40, who has had some prominence as managing director of Union Railways, the BR subsidiary responsible for the Channel Tunnel rail-link project.

And the odd one out is commercial director David Moss, 46, a Grade III civil servant (under secretary) who led the British team in the air liberalisation talks with the US.

Railtrack shrugged off criticisms about the lack of private sector input. Several of the people chosen had spent most of their working lives in the private sector before going to BR, it said, and all had been chosen for their records of achievement as managers.

Mysteriously, however, we have still not been told who is to become Railtrack's finance director, so perhaps there is room yet for a private sector contribution.

■ Robert Fleming, the UK merchant banking group, has recruited Bill Harrison to fill the new post of chief executive of investment banking.

Harrison is currently vice chairman of Lehman Brothers International, the European arm of the US investment bank owned by American Express.

At Fleming he will be in charge of the corporate finance and capital markets departments, which are responsible for advising companies on mergers and acquisitions and issues of securities. He hopes to expand Fleming's activities in these areas, since they are currently far less significant to the group than its fund management businesses.

Harrison, 44, has previously worked for the merchant bank J Henry Schroder Wag and for the oil company Tricentrol.

■ Roy Moss, a director of Allied-Lyons since 1986, becomes a vice-chairman of the drinks, food and retailing group, in a further reshaping of the board and senior management structure.

Moss, 63, who takes responsibility for group training and management development, relinquishes his position as chairman of Allied's retailing sector but remains head of the brewing and wholesaling division, and of the UK regional council.

Tony Hales, 44, group chief executive and chairman of spirits and wine, and food and manufacturing sectors, will also head the retailing sector.

Don Marshall, 58, leaves the Allied board following the establishment of the Carlsberg-Tetley brewing joint venture where he is managing director.



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ARTS GUIDE

Clement Crisp

the remote
n Keeling
light
nesia

Northern Ballet Theatre

Northern Ballet Theatre is in the midst of a regional tour with a triple bill. That in itself is welcome news. For years our ballet companies have had to cajole audiences with full-length offerings, of often dubious merit but of proven appeal because of their title. "Give them anything, but call it Swan Lake" syndrome is, I trust, in decline. Triple bills at Covent Garden have latterly played to excellent houses; this spring, English National Ballet will again tour mixed programmes. Ballet is being shown as something more than feathers and fairies, with Veronese lovers as the only alternative.

NBT's new programme has its own audience-Jure in *A Simple Man*, which brought L.S. Lowry to the stage. Two new pieces complete the bill. I am not persuaded that the Theatre Royal, Brighton, is the right place to see dancing sight-lines are odd; the lighting on Tuesday night was cursory; the orchestra is too visible; the stage cramped movement.

Both novelties are concerned with plotless dance; neither conveyed much sense of formal design to sustain incident. Graham Lustig's *D'Ensemble* demands far more space than Brighton could offer. Set to Dvorak's wind serenade, it shows five couples being radiant or drowsy-eyed or bolderous, and, in these surroundings, too close to each other for comfort. It is taxing for the men, somewhat predictable for the women, and it merits a larger stage for its dances to be appreciated. Decoration is by Kaffe Fassett - known for his knitting designs - and promises bright costume colours (which do not make the women's frocks any less dowdy), and a backdrop that looks like a flowery and up-market subject for a jigsaw.

Extinction is choreographed by Derek Williams, much admired as a dancer with the Harlem Dance Theatre. It is said to be a "jazz ballet", a genre more notable than most for its clichés. The men in such exercises strut, throw off multiple technical feats with energy if not finesse, and generally indicate that St. Vitus is their patron saint. The women are called upon to do as if on day-release from the Reeperbahn. And so it proves in this exhausting and foolish item. The chaps run and spin; the women flounce it. The stage is bathed in red light for part of the time. There is a score by Philip Feeney that contains fascinating sonorities but must clutter in the dance's galvanic foot-steps. At the back of the stage is a drop showing a version of Creigie Attichison's *Pink Vase*. Still life, which has nothing to do with anything else that is happening, and to which I would not like to give house-room. It is all huggier-mugger, and during *Extinction*'s too generous span I thought enviously of Simeon Styne.

NBT's casts were devoted over and above the call of duty to their tasks. They plainly believe in what they are doing; I admire them and wish I could share their convictions.

Clement Crisp

NBT's tour is sponsored by BT, which also supports the company's touring Education Programme

In this week's newest Hollywood blockbuster, the young philosopher Ludwig Wittgenstein (Mel Gibson) is deep-frozen by Cambridge scientists for 50 years and wakes up on the morning of the 1989 American Cup final in Newport, Rhode Island. Reunited with his Indochinese girlfriend Catherine Denève, he sets out to win the famous cup, but is sidetracked by an ambition to become America's first independent black Congressman.

"Wake up, sir. You are having a nightmare!" It is my butler, holding the morning cup of tea. It was all a dream; but for film critics these dreams are becoming ever more indistinguishable from waking. Just how much damage do regular doses of twice-daily filmdrama do to the brain and imagination?

First: I greatly enjoyed every film this week. Second: that is exactly the problem. The pleasure derived from Derek Jarman's *Wittgenstein* seems to me indistinguishable from that derived from Mel Gibson barking for tears and laughter in the cryogenics epic *Forever Young*; and the week's other films we will implicate in due course.

Feelgood movies are feelgood movies wherever they come from. And feelgood metaphysics likewise:

whether signed by a Vlennese-Cambridge philosopher and enacted with bargain-basement props against a black wall (Jarman) or blown up to umpteen-millimetre while very violent in Hollywood underscores the magical time-sliding plot that kicks off in 1939. Girl meets boy, girl has come, boy gets frozen, hello 1989, out with the handkerchiefs.

With art cinema on the retreat, and Western culture's populist current pulling even higher criticism with it, no one today wants to work hard in front of a movie screen. "Serious" cinema, from today's *Wittgenstein* to last year's *Orlando*, has become as all-singing, all-dancing as popular cinema. If Bergman or Godard were beginning their careers in the 1990s rather than the 1960s, they would be making films like *Swedish Angst Is Fun and Two Or Three Things I Know About Macaulay Culkin*.

Theatre

Letters Home

Sylvia Plath killed herself 30 years ago in London. She put the children to bed, blocked herself in the kitchen, and turned on the gas. She was 30. She had warned: "Never commit suicide, because something unexpected always happens." Her reputation flourished posthumously with *Ariel* (1965) and the Pulitzer-prizewinning *Collected Poems* (1981).

After leaving her middle-class Boston home for a scholarship at Smith in 1950, Plath wrote 700 family letters - most to her mother, Aurelia - which were gathered and published in 1975. They form a quasi-public diary, the basis for Rose Leiman Goldberg's dramatisation, *Letters Home*. It makes fine reading, potentially wonderful radio, but poor theatre.

First, *Letters Home* lacks the poetry that redeemed Plath and which excused the ignoble misery. Second, the play fails to admit that other people's depressions are not intrinsically dramatic; and third, it fails to make written letters live as voices and interactions between two people on stage. The acting is intimate and sharp, with fast cutting between Hildegard Neil as Aurelia and Daryl Black as Sylvia. Sometimes the lockjawed accent of north-east America evades them, but they conjure a community and history out of the material.

In works by Mozart, Rachmaninov and Martinu, with piano soloist, Daniel Hoekster (268 1000). • Information and booking for cultural events available through Cabs Catalunya from 08.00 to 14.00 (810 1212)

■ BOLOGNA

Teatro Comunale Tomorrow, Sun afternoon, next Wed: Roberto Abbado conducts Lambert Pugnani's Milan production of Adriana Lecouvreur, with Mirella Freni and Peter Dvorsky. Mon: London Brass (529999)

■ FLORENCE

Covent Garden Tonight, Sat, Sun afternoon: Bruno Campanella conducts final performances of Harry Kupfer's production of La Damnation de Faust, with Olga Borodina, Jenny Hadley and Samuel Ramey. Tomorrow, next Mon and Wed: Claudio Abbado conducts Antoine Mélesse's new production of Falstaff with Mélisande, with Frederica von Stade, François Le Roux and Victor Banni. Sat: Stepping Beauty with Sylvie Gilioli. Tues: Jeffrey Tate conducts new Falstaff staging produced by Patrick Young in designs by Margit Bardy, with Josephine Barstow and Willard White. In repertory till April 15 (071-240 1056)

Coliseum ENO repertory consists of Don Pasquale (tonight and next Thurs), The Mikado (Sat and next Wed) and a new Monteverdi/Bartok double bill (tomorrow, in repertory till April 7), staged by David Alden with a cast including Patricia

Rosario, Gwynne Howell and Sally Burgess. April 22: revival of Pountry production of Queen of Spades

• City of Angels: Larry Gelbart's musical, fresh from an award-winning run on Broadway,

Feelgood metaphysics

Cinema/Nigel Andrews

WITTGENSTEIN
Derek Jarman

FOREVER YOUNG (PG)
Steve Mizer

THE DISTINGUISHED GENTLEMAN (15)
Jonathan Lynn

WIND (PG)
Carroll Ballard

INDOCHINE (12)
Regis Wargnier

fully enjoyable and even (Oh Hollywood on the Can!) shamelessly banting at the close to worry too much about thoughts and ideas. *Forever Young*, directed by Steve Mizer from a Kleenex-intensive script by Jeffrey Abrams, carries on where Jarman's film leaves off. 1939 test pilot Mel Gibson realising like Wittgenstein the limits of language

ontology where Julia Roberts loved and lost in the interchangeable-titled *Dying Young*?

Is *Forever Young* enjoyable? Yes, dreadfully. But in today's hedonistic cinema, what movie is not? Even the flops seem so anxious for your appreciation that you place a sparkle in your eyes in real one and find it still there at the end.

In *The Distinguished Gentleman* Eddie Murphy, Hollywood's grin on a stick, moves through Washington DC holding aloft his brand of pop-culture populism. Murphy is a Florida con man who cons his way into Congress. He is soon sounding bogus foundations and panhandling for harmoniums. But then a little boy with cancer - yes! - wreaks a Capraesque miracle and turns the scam artist into a people's hero.

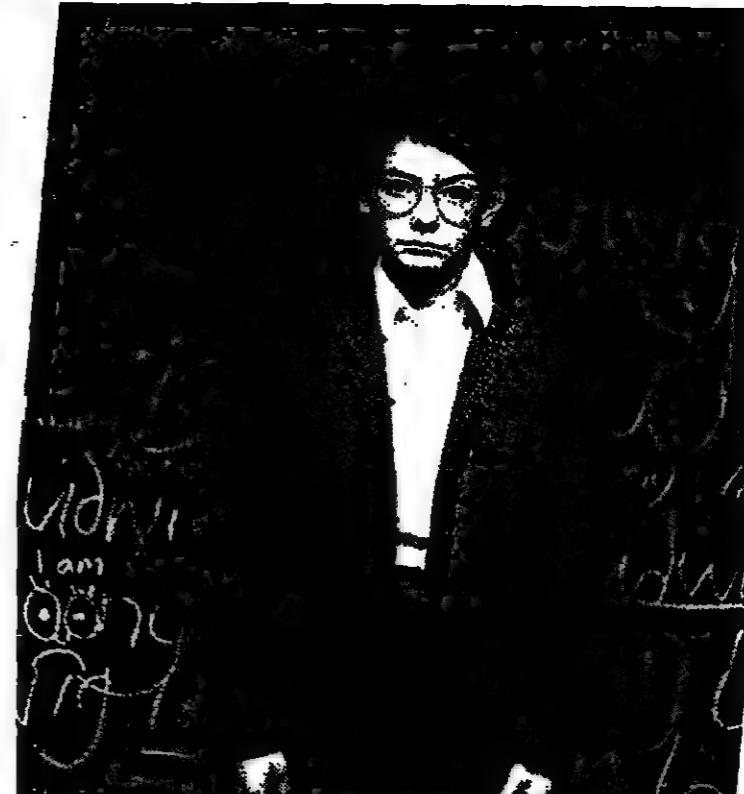
The script by former Walter Mondale speechwriter Marty Kaplan is knee-deep in Washington lore but only ankle-deep in wit. And Britain's Jonathan Lynn (*News On The Radio*) directs as if down on all fours trying to mop up every drop. The villains are somewhat dull - Capra would have given us sullen Claude Rains and/or seismic Edward Arnold - and the mandarin subplot is an embarrassment. But let us not over-cap. Murphy is there to unclench his smile and flash his genius for mimicry, and I was still watching without consulting my watch as the end credits rolled.

Wind is two hours of blithe drivell about championship yachting. It should carry an environmental-friendly notice: "Beautiful scenery. Please do not deposit movie dialogue." The script by Mac Gudgeon and Rudy Wurlitzer (vacationing from the talent that gave us *Pat Garrett And Billy The Kid*) provoked unseemly giggles at the Press show. Americas Cup contender Matthew Modine spends half the film tacking to avoid lines like "Sometimes we pay too high a price for our dreams"

(yacht tycoon Cliff Robertson) or "The most important thing is finding your own wind" (himself), the other half trying to make clear runs for the action channel.

The yachting scenes are well shot by director Carroll Ballard and brilliantly "sound-designed" by Alan Splet, with booms and crunches and wind-howlings that shiver your timbers. But what price such panache on the ocean when back on shore life consists of waterlogged love plots (Jennifer Grey) and dialogue written on the back of a binnacle.

But as Wittgenstein once said, in one of his early untranslated works, even bad art has its serenity. Regis Wargnier's much-hyped *Indochine*, representing France at next week's



Clancy Chassay as the young Ludwig Wittgenstein

Foreign Film Oscars, is the very incarnation of the age of Brainless Hedonism. Time was when we looked to the French for a cinema that was innocent (Godard), anarchic (Chabrol), mercurial (Truffaut) or experimental (Resnais, Rivette); in a word, challenging.

Today we get a 2½-hour slab of steamed-up melodrama with Catherine Deneuve doing a Bette Davis in the tropics. Empires fall; lovers betray; adopted daughters get pregnant; and when all else fails there is a battle scene or some ooh-ahh horror in an opium den. If only life were as daff and colourful as the movies. But if only the movies were less daff and colourful - sometimes - and more intelligently related to real life.

Concert/David Murray

Handel's Messiah

choruses "And He shall purify"

and "For unto us a Child is born", unaccustomedly fleet, added no bellow to the larger drama. As expected, the dry Royal Opera acoustic flattened nobody: neither John Eliot Gardiner, with his Monteverdi Choir and the English Baroque Soloists; a guarantee that this *Messiah* would represent the most up-to-date findings from the back-to-the-1700s persua-

dition.

For most of Part I, the Gardiner ensemble sounded alert,

precise, speedy - and light-

weight, to ears attuned to over-

weening Victorian forces. The

style began to make them-

selves felt. By then we had adjusted to the slimmed-down scale, and could appreciate the lucid diction it permitted. Without any dense, mournful instrumental cushion, the mezzo Catherine Robbin shaped a penetrating "He was despised and rejected"; Eliot found a note of vehement regret in both of his arias, and after an appealing rustic "Pastoral Symphony" the boy-soprano Sam Gay too - true plain and "natural", i.e. blessedly innocent of King's College manners.

With Part II, however, the

lith strengths of Gardiner's

sharper kind of climax.

Part III began with the soprano Sylvia McNair at her melting best in "I know that my Redeemer liveth". (But decidedly sexy, too, in the canid modern manner: could that possibly be right?) With a fine period-trumpet, Gliry swung robustly through "The trumpet shall sound". On Gardiner's reading, the orthodox play of the closing chorus was at once tender and provisional - no Victorian, muscular-Christian dragging there, only a hopeful uplift. The whole performance was of a piece with that, humane and satisfying in its particular low-calorie way.

Sponsored by the Observer, in support of the Thomas Coram Foundation

In contrast to the monochrome grandeur of *Malcolm X*, the lush and complex guitar work of Martin Taylor was a luxurious bonus. The 37 year old English concert guitarist is most often heard in the company of Stephane Grappelli, or in a classical setting, but sounds equally comfortable spinning standards from the stage of a smoky club. Indeed so relaxed and convincing is Taylor's command of simultaneous rhythm, melody and bass that he could easily pass for a trio. Chopping or sustaining, the vocalised tone and timing is a joyous thing and his fitting in the spaces between two sets of *Malcolm X* make a beautifully balanced evening's entertainment.

At Ronnie Scott's until March 27

Jazz/Garry Booth

Doing the right thing

for tight trumpet and tenor harmonies from Blanchard and Sam Newsome. The pair have an impressive sound between them: the sturdy tenor providing woody contrast to Blanchard's lustrous tone, both able to produce taut and elastic solos. A suite with such serious intent as this might seem inappropriate for a club setting but the movements follow conventional mores, and head arrangements with obligatory bludgeoning drum parts separate the movements sufficiently well.

The young trumpet player Terence Blanchard is the burly sound behind most of Spike Lee's celluloid. After serving with that finest of finishing schools, Art Blakey's Jazz Messengers, Blanchard plunged into composing with scores for School Days (1989) and Do The Right Thing (1989) and most recently *Malcolm X*. During this period of concentrated writing activity, Blanchard, who is just 31, began to have problems with his own playing and for a while it looked as though he might spend the rest of his career with only his charts for company.

On the evidence of his quintet's appearance at Ronnie's this week, however, reports of his demise are greatly exaggerated.

In a sombre but sometimes startling collection of seamlessly segued movements

called *The Malcolm X Jazz Suite*, Blanchard led his young quintet heroically.

The original film score was written for 40 pieces but this adapted and improvised on version for quintet has a grainy texture onto which Blanchard scatters his notes to dramatic effect. The air of foreboding created by the opening bass lines was transformed into an achingly cool and urban setting.

The addition of Troy Davis's shimmering cymbals and Bruce Barth's plaintive chords completing the setting

for tight trumpet and tenor harmonies from Blanchard and Sam Newsome.

The pair have an impressive sound between them: the sturdy tenor providing woody contrast to Blanchard's lustrous tone, both able to produce taut and elastic solos.

A suite with such serious intent as this might seem inappropriate for a club setting but the movements follow conventional mores, and head arrangements with obligatory bludgeoning drum parts separate the movements sufficiently well.

performances of Don Giovanni tomorrow, Mon and next Wed (228658). National Theatre has La storia del destino next Tues (205364)

• Prague State Opera has La traviata tonight, il trovatore

tomorrow and Tues, Così fan tutte on Sun and next Wed (253533)

• For pre-bookings and information about these and other events, contact city centre ticket agencies (Slane, Wenceslas Square 28 in the passage, tel 261602, or Bohemia, Na Prikope 16, tel 228738, or Melantrich, Wenceslas Square 38 in the passage, tel 228714) and theatre box offices.

■ ATHENS

Concert Hall Tonight and Sat:

concert performance of Rigoletto.

Mon: Samuel Ramey song recital.

Tues: Alida Ballester conducts New

Greek Radio Orchestra in accompaniment to Eleftherios's 1927 film October.

Next Wed: Callas commemorative

concert with Athens State Orchestra and vocal soloists (722 5511)

■ BARCELONA

Opera

Gran Teatre del Liceu Sat, Sun,

next Wed: Uwe Mundt conducts

Nuria Espert's production of Carmen, with alternating casts

including Kathleen Kuhlmann and Neil Shicoff.

Tomorrow: Christa Ludwig sings

Mahler's Rückert-Lieder.

Mon: Anna Tomowa-Sintow song

recital (412 3532)

CONCERTS

Palau de la Música Tomorrow,

Sat, Sun morning: Jiri Belohlá

Dark descent to a political minefield

John Major must have been grateful for the brief respite offered by the journey home from Birmingham to Great Staughton. Behind him was a difficult, one-day European summit and the toughest week of his premiership: worse was to come.

Four days after last October's EC gathering, called in the wake of Britain's forced exit from the European exchange rate mechanism, British Coal had sent shock waves through the coalfields. Thirty-one out of 50 pits had to be shut, some in days and all in six months. More than 30,000 miners faced compulsory redundancy; another 120,000 jobs in supplier industries could go.

Neil Clarke, recruited as chairman of British Coal to mastermind the "ultimate privatisation", expressed regret. Michael Heseltine, the trade and industry secretary, tried to soothe the pain with a film aid package extracted from the unwilling Treasury. Major was sorry for the miners' "anguish", but the commercial argument was compelling and irrevocable.

Within 48 hours, ministers would be facing defeat at the hands of their backbenchers. Two years earlier, the government's privatisation of an electricity supply industry, which takes 80 per cent of British Coal's output, had sown the seeds of the dilemma. Subsidised coal markets and the demise of a rigged market were supposed to end in March 1993 when the generators, PowerGen and National Power, would be free to buy where they wished and to strike new British Coal contracts.

Last autumn, complex legislation to privatisate British Coal was already being prepared, with a sale due this summer. It was widely accepted that the 65m tonnes of coal bought by the generators in the year ending next week would fall to about 40m tonnes in 1994, and later to 30m. Prices and contract periods, however, remained unresolved. A jobs shake-out was inevitable.

Heseltine wanted to lock all the parties in a room and "bang heads" until agreement was reached. But in the words of one DTT minister: "We couldn't do an old-style, ministerial fix. We explored all the avenues. But it was like going down a one-way street and continually turning into blind alleys."

As contract negotiations stretched into late summer, the DTT and Treasury stepped up equally slow-moving talks with British Coal aimed at replacing miners' redundancy terms. The company convinced Heseltine a fair package would limit the damage. It told ministers: "If you sugar the pill, we will deliver the goods." But the pill

remained unpalatable. In mid-September, Mr Arthur Scargill, president of the National Union of Miners, leaked a ministerial letter listing 30 doomed pits. Heseltine admitted further closures were coming but battled for pay-offs matching the old terms.

A Coal Board insider recalls: "The Treasury was utterly predictable. It was reluctant to match the old redundancy terms. We became embroiled in an intellectual argument over why miners should get preferential redundancy terms to any private-sector employees."

A colleague of Heseltine adds: "If the Treasury had not been so bloody-minded, we could have bitten the bullet earlier and 10 pits could have gone in the summer."

The prime minister intervened. Heseltine got an average 22,000 a man, less than British Coal wanted. On October 2, he and Tim Eggar, his energy minister, reported to a prime minister preoccupied with preparations for the following week's party conference. A closure announcement had to go ahead. "A day, as it was entered in the diaries of British Coal executives, was Tuesday October 13. Until the day before, the company would not tell Heseltine which pits were to close.

"We refused to tell him. We knew from bitter experience that the government machine leaked like a sieve and we did not want to pile on the gory at the collieries," a British Coal manager recalls.

On October 12, Heseltine and Clarke met to make final preparations for the announcement. The next day, Clarke called in the press while Heseltine made his own announcement: "It was a stupid mistake," says a close friend.

"It took the heat off Clarke and left Michael looking like the bad guy, instead of the white knight riding to the rescue with 21m. But he wanted to face it head on."

The details provided an immediate storm. According to a British Coal executive: "People in the industry were prepared for the worst. It was the wider backlash which caught everyone out."

Two and a half hours later, he had reluctantly accepted the need

for a change in tactics. The blow had to be softened. He went straight into session with officials. Callers were told he was "locked away".

The next morning, Monday October 13, Downing Street admitted edily to amend its version of events. Gillian Shepherd, the employment secretary, though informed of the plans, was not told about the Heseltine press conference. She was furious. An employment department insider reflects: "There was little love lost between them before. There is even less now."

Downing Street was forced repeatedly to amend its version of events. Gillian Shepherd, the employment secretary, though informed of the plans, was not told about the Heseltine press conference. She was furious. An employment department insider reflects: "There was little love lost between them before. There is even less now."

On October 13, the eve of parliament's return, the nation turned off 2m lightbulbs in protest, and men from Frickley colliery dumped coal outside Heseltine's Oxfordshire home.

After a weekend ring-round of Tory MPs by the party whips, Richard Ryder, chief whip, warned that the government faced defeat at the hands of its own party. Major summoned six ministers to his temporary offices at Admiralty House. Heseltine spelled out the "unanswerable case" for closures.

Next morning, he faced his own,

angry backbenchers in committee room 14 of the Commons. A show of hands went against him, forcing

from him assurances that he would take a broader look at the fuel market for generating electricity. An MP present reflected: "We put him through the mangle."

Hours later, Lord Wakeham, former energy secretary and chairman of the ad hoc cabinet committee on coal, told the Lords there would be a wide-ranging review to ensure the coal market had been correctly assessed. Major confirmed the new approach in the Commons and welcomed a trade and industry committee decision to hold its own inquiry into energy strategy.

On October 21, Trafalgar Day, as 40,000 miners marched through London, Heseltine paced the Commons, hounding in wavering who could help defeat the government in that day's Labour-organised debate.

Nobody was spared. One sceptic remarked: "What can you say when you have a shopping list of 12 items and you're offered 14?"

A bravura Commons performance from Heseltine won the day and a majority of 15. A few days later, he announced there would be a white paper on UK energy policy, a tactic which provided a vital breathing space. But as advice and opinions poured in, another blow landed.

Four days before Christmas, Lord Justice Gildewell issued the closure decision unlawful and demanding a review procedure involving an element of independent scrutiny. A humiliated Heseltine admitted the government had "got it wrong".

By January 19, he was running into fierce internal opposition to his compromise proposals, enabling a subcommittee of about £10 a tonne, clearly identified to consumers as the cost to be paid for public concern. A supporter summed up the plan: "It was about paying for your conscience."

At a cabinet committee meeting, Heseltine found himself confronting an alliance of ministers - including Michael Howard, the environment secretary, Kenneth Clarke, the home secretary, Norman Lamont, the chancellor, and Gillian Shepherd - threatening to block the plan unless subsidies were short-term and rapidly reduced.

Howard, with the support of Clarke, had tabled an alternative strategy. He argued that, if some pits were to be kept open, the decision should be openly based on social, rather than economic, reasons. The government would tell the Commons that, on social

grounds, it would pay time-limited subsidies to individual pits.

But the idea soon hit trouble, with ministers unable to devise criteria under which individual collieries could be kept open. The plan was rejected. Friends of Shepherd and Howard continued to brief the press against Heseltine for his handling of the affair. As the prime minister left for India on a trade mission, irritated Downing Street sources complained: "It doesn't do anyone any good to brief against their colleagues."

By the end of January, Heseltine won further support in reports from independent consultants which backed the government's grim prognosis for coal. Wakeham's cabinet committee was by now concluding that additional coal purchases by the generators would have to be subsidised.

The Commons trade and industry select committee, however, contrived a classic political compromise, suggesting more than half the threatened pits could be saved if the market for coal was increased over five years at a cost of about £200m.

Its report left Heseltine and his colleagues to calculate how far they had to go to stave off the threat of defeat. One minister claims: "Sensible analysis immediately became a pathetic, political numbers game."

As Heseltine struggled to find a formula, he became embroiled in a row over the generators over how much coal they would take. John Baker, National Power chief executive, told him they were being invited to "dig our own grave... to solve your coal problem".

Some ministers revelled in the discomfort of a man toppled from his party pedestal: "Junior Thatcherite ministers think it has all been wonderful," says a Heseltine ally. Stories suggesting he is fed up, disenchanted and even seriously ill have flowered in Westminster.

"All rubbish," says a friend. "Michael admits the coal business has been the most frustrating and intractable problem he has ever faced. He is frustrated that the affair has swallowed so much of his time. But that it."

With his "final offer" now about to be disclosed, Heseltine may look back for a moment or two on the affair. He does not seek to lay most of the blame on British Coal and Neil Clarke, though he is not overly impressed with the company's behaviour. In any case, the fate of the industry and those who serve it should soon be a matter for new owners. He may be forgiven for praying "not a moment too soon".



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INVESTORS CHRONICLE

DAILY BUSINESS NEWS AND ANALYSIS

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
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Competitive pricing

From Mr P S Leigh

Str, In your story, "OFT life insurance proposals" (March 19) it is stated that the Office of Fair Trading said life companies should be obliged to allow low-cost sales outlets such as building societies, to price their products more cheaply than other higher cost agents.

Perhaps the OFT should have looked at what has happened to house and contents insurance, which is nearly always far more expensive if taken out through building societies than if arranged through a local insurance broker. Presumably the OFT considers the latter to be a higher cost agent.

P S Leigh

BALPA Financial Services,
81 New Road,
Hayes, Middlesex UB9 8BG

Japan cautious about economic logic of G7 aid for Russia

From Mr Masaki Omura

Str, I think the recent criticism of the Japanese government's inaction regarding the G7 assistance for Russia is misguided. Contrary to these critical assertions, neither the principle of the northern territorial issue nor a lack of understanding of the impact of a Russian collapse constitute the main reason for Japan's careful attitude. The key issue is the workability and desirability of a hasty reaction by the G7.

In the past there has been a common understanding among the G7 countries that western financial assistance will only work with the appropriate domestic economic policy and the development of the institutions necessary for a market economy. Only a small portion of the \$24m committed by the G7 has been used, mainly because these preconditions have not emerged in Russia. I do not see any reason why financial assistance should suddenly begin to work now

without these preconditions.

It may be argued that an urgent decision is necessitated by the political considerations. However, it would be quite naive to expect a politically motivated action without an economic result to be of substantial help to President Yeltsin in the current crisis. Given that the battle between the president and the parliament is purely a power struggle, a G7 commitment will not weaken the attack by the parliament. Nor will it strengthen public support for the president until it leads to an improvement in the economic situation.

It will certainly be necessary to re-examine the economic reform strategy in Russia. In fact, from the beginning Japan has been the least enthusiastic country in advocating that market forces alone, without due consideration of the social reality, can achieve a successful transformation. However, a rethinking of this issue should focus on the long-term rather

than on short-term political considerations.

Nobody can deny the seriousness of the current Russian situation. But one has to recognise what we can do and what we cannot. Your editorial, "The choice over Russia" (March 17), argued that we should go ahead, despite the fact that there is no guarantee of workability. However, a G7 commitment which disregards economic logic will at best be unlikely to work, and at worst create unrealistic expectations and so be unproductive. This would be nothing but a panic reaction, and as such the G7 countries, in their self-appointed role as world leaders, have a basic responsibility to avoid it.

Masaki Omura,
chief representative,
London office,
Japan Centre for International
Finance,
Bracken House (5th floor),
One Friday Street,
London EC4M 9JA

Duty could pay for equity settlement system

From Mr Jeremy Archer

Str, You suggest ("After Taurus, City lessons", March 23) that an equity market settlement system may not be a public good worthy of state attention. While previously saying the state is the only institution capable of overcoming the "free rider" problem.

According to the chancellor, the state will be raising about £1bn during the 1993-94 financial year from stamp duty payable on the purchase of securities. This tax is paid by those who use the settlement system. The same groups would benefit from further investment in that system. Where is the conflict with the doctrine of "public good" if this class of stamp duty were to be retained for just one more year, and the money raised thereby spent by the state on a new equity mar-

ket settlement system?

Despite the Treasury's traditional reluctance to link funding and spending, there could seldom have been such a clear-cut case for making an exception - particularly in the light of the recent fiasco and its potential implications for London as a financial centre.

Jeremy Archer,
100 Haldon Road,
London SW18 1QQ

good reason to be delighted too. I'm sure it didn't look forward to two-thirds of a penny on income tax or yet more VAT, to replace the chancellor's lost stamp duty on share transactions.

The present stamp duty falls on those who are affluent enough to own shares, but who knows where the tax to replace it will fall?

British industry ought to be pleased as well. It stabilises the value of companies by forcing investors to take a long enough view of their holding to recoup the stamp duty. Unit trust managers likewise stabilise

their funds by the similar device of unequal bid and offer prices. In both cases the added stability makes for a more considered and longer-term approach to management.

I am far from convinced that an "efficient" stock market works to the good of industry. During their spectacular post-war growth traded volumes in Germany and Japan's stock markets were too low for them to qualify.

From the point of view of industry the stock market's significance lies in its willingness to absorb new share floatations and rights issues that can

The Bar

provide new capital. Trading on the other hand only provides an indication of the terms on which it might be raised. As far as I can see Taurus would have helped trading but done nothing to help provide new industrial investment. Yet it is that investment that is needed.

You may be surprised to hear that this contrary view comes to you from a chartered electronics engineer who works with computers daily.

W H Powell,
5 Mill Race View,
Atherstone,
Warwickshire CV9 2AR

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Thursday March 25 1993

Unrest on the Belgian front

SPECULATIVE flurries surrounding the Belgian franc rarely give rise to more than a flutter on foreign exchange seismographs. Underlining Belgium's apparent credentials as a member of the "hard core" of the European Monetary System, since 1990 the Belgian National Bank has kept the franc within a narrow 0.25 percentage point fluctuation margin against the D-Mark.

Now, however, the illusion that the Belgian franc is simply a north-western appendage of the German currency has been shattered. Pressure on the franc forced the Belgian central bank to raise interest rates yesterday for the second time in six weeks. The outbreak of Belgian monetary hostilities does not represent an isolated incident. Belgium's travails illustrate problems at the heart of the Maastricht programme for Euro-convergence.

The proximate cause of the difficulties is a budgetary squabble. Belgium's public-sector debt exceeds 130 per cent of gross domestic product. This is more than double the Maastricht target of 60 per cent - one of the conditions set to determine EC members' suitability for economic and monetary union (Emu). Interest payments were nearly twice last year's public-sector deficit of 5.8 per cent of GDP, itself well in excess of the 3 per cent Maastricht target.

Pleading the need to stick to the Euro path, Mr Jean-Luc Dehaene,

Ways and means

THE GOVERNMENT'S go-ahead for a £2.5bn rail link between London and the Channel tunnel is a welcome commitment to a long-delayed and badly needed project. Commitments, however, do not build railway lines - that takes money and shovels, and so far neither are much in evidence.

Against this background it is perhaps worth asking exactly what the rail-link commitment amounts to. First, the government has committed itself to a route. Second, it has committed itself to introducing legislation which will permit the line's construction. And third, it has committed itself to seeing the project go forward as a joint venture between public and private sectors, with the government "prepared in principle to provide substantial public-sector support".

What is missing from this list, of course, is any promise that the rail link will actually be built. The government cannot make such a promise because it still does not know who is going to build the line or how it is to be funded.

The hope must be that the chancellor's recently stated enthusiasm for encouraging private-sector participation in the funding of infrastructure projects is about to bear fruit. After amiable discussions between the private sector and the Treasury, the two will supposedly agree a funding package that allows the private sector to make a good profit while simultaneously ensuring value for money for the taxpayer.

Yet this kind of optimism suggests a triumph of hope over expec-

tation. The objectives of public and private sector in any joint venture are clearly in potential conflict, because the point at which the private sector begins to make money is the point at which the Treasury begins to feel cheated. Hence, at the government's last attempt to get the Channel tunnel rail link built through joint funding, the government contribution demanded by the private sector proved to be so large that the government tore up the proposal in horror. And even where public and private sectors do find it possible to agree on the principles of a funding package, there can be severe difficulties in translating the agreement into cash. Witness, for example, the long delays in getting the private sector to deliver its promised contribution to the £1.5bn Jubilee Line extension.

Perhaps it will all be different this time. Certainly, the government's commitment to joint funding sounds stronger than ever. Certainly, the government's plans for developing the east Thames corridor add a new imperative. But with each new go-ahead for transport projects that never materialise, the British public grows weaker and more cynical about the prospects that any of them will happen. The government stands to be judged on whether this latest private funding initiative has real substance, or whether it is just the latest in a long line of excuses for protracting over vital improvements to the nation's inadequate transport infrastructure.

The Bank's role

BACK TO basics has been the slogan of countless companies after the conglomerate excesses of the past three decades. The idea appears now to have penetrated the rarefied world of central banking. Yesterday Mr Brian Quinn, an executive director of the Bank of England, warned that there was a growing mismatch between the ever-wider range of services provided by commercial banks, and the allocation of responsibilities among watchdogs. Consumer protection in the wider financial services area was not, he argued, the right role for a central bank and he added, in a characteristic piece of central banker understatement, that there was "a question whether the current arrangements may not, at some point, have to be considered".

A clear re-statement of the Bank's role in prudential supervision is undoubtedly welcome, after the debacle of Bank of Credit and Commerce International. But whether the narrowness with which the Bank defines its remit can be reconciled with market reality is a moot point. Mr Quinn chooses to make a distinction between supervision, which is one of the means by which central bankers head off risks to the banking system as a whole, and regulation, which he sees as being about rules covering activities, products and services available to investors' and policyholders. Yet in practice, the distinction is often blurred.

After the implementation of monetary policy, the chief role of the Bank is the protection of depositors in the interests of the

stability of the system. Mr Quinn puts a traditional case for the activity of prudential supervision being tied to the central bank acting as a lender of last resort to individual institutions. And, without being specific to the point of raising questions of moral hazard, he sets out unexceptionable criteria for such last resort lending operations.

The difficulty arises over the erosion of boundaries between different financial products. Savings products such as Tseas are both a deposit and an investment. Even where banking products are not closely related to deposits, any loss of confidence in them could still lead to cross-infection, as Mr Quinn himself acknowledges.

The fact is that convergence in financial services is very different from conglomerate in industry. It is rooted in market logic and, in some cases, genuine product synergy. As commercial banks have lost their corporate clients to the investment bankers, a purist definition of the lender-of-last-resort function which confined itself to commercial banking also becomes unrealistic, as the stock market crash of 1987 demonstrated. In order to restrain the moral hazard implicit in deposit insurance and last-resort lending, there is a powerful case for creating a separate category of heavily insured low-risk, low-return deposit-taking institutions. But even then, uninsured institutions could still pose systemic threats. One suspects that the Bank of England, regardless of its formal responsibilities, would still end up taking the flak.

Turning points have so often been diagnosed in the world economy that any suggestion of a new one must be made very tentatively. Yet a glance at the charts in this article suggests that one may have arrived, and the thought is reinforced by two disquieting themes which have emerged from the UK Budget.

One is the pessimistic Treasury projection of a widening gap between actual output and productive potential, despite the so-called recovery. This has abysmal implications for unemployment, despite last month's freak good figures.

The second theme is that a yawning Budget deficit is still in prospect even after the chancellor's tax increases. The two themes together lead to a dilemma which is brought out most starkly by the more pessimistic projection provided by the Treasury as an alternative to its central assumption. This shows that, with a growth rate only 1% per cent a year below the central path, the public sector borrowing requirement would remain in 1997-98 - one year or more after the next election - nearly twice the Maastricht limit.

This is probably too pessimistic. But if the British government were faced with this prospect, should there be fierce curbs on public spending and more tax increases - which might make low growth even worse? Or should the deficit be allowed to run or even increase, despite galloping debt interest, which by the late 1990s is expected to exceed £200bn and account for almost all the projected deficit?

There has been a near-silence on this dilemma since I posed it last week. For no one has yet satisfactorily resolved whether Budgets are primarily exercises in government housekeeping or whether they have a wider role in balancing the economy, which might make it legitimate to deliberately budget for a deficit. A longer and international perspective might help.

Belgium has little choice but to keep taking the medicine. Yet if the general chance of attaining fiscal balance appears increasingly remote, the painful policies Belgium is following will command ever diminishing public support.

The background to the revival of sound money orthodoxy in the 1980s was the experience of the later 1960s and the 1970s. By then the attempts of governments to spend their way into full employment objectives led to increasingly rapid inflation, without any discernible benefits for unemployment which soared from one business cycle to the next. The end of the Bretton Woods system, and the first oil-price explosion following the Yom Kippur war of 1973, signalled the end of the postwar golden age. Subsequently, stagflation - high unemployment combined with high inflation - dominated the scene.

The ground was thus prepared for the counter-revolution which declared that Budgets should be balanced, or nearly so, at least over an economic cycle, and that monetary policy should be given the task of trying to avoid both inflationary and deflationary shocks. Growth and jobs were then left to supply-side policies - often a euphemism for lower and more flexible wages and weaker unions.

A fresh bout of rethinking may now, however, be required. For we are no longer in a world where each successive cycle takes inflation to new heights. The inflationary peak of 1990 was well below the peaks of 1974 and 1980. On the contrary, inflation now seems to be declining steeply from one cycle to the next.

The application of the monetary brakes required to deal with the much more moderate inflationary upsurge of the late 1980s has nevertheless led to a severe increase in unemployment. It will not be surprising if it goes higher than in the previous cycle, especially in Europe.

It is thus at least worth considering whether we may be approaching a period of secular demand deficiency - by which I mean a period when output and employment are held down by an inadequate level of private and public spending. The Keynesians who cried "wolf" so often in the postwar decades may eventually come into their own.

It is vital not to exaggerate. The increase in total spending in the Group of Seven countries, measured by nominal GDP (which is also

equivalent to inflation plus real

growth) has never fallen below 4% per cent per annum in the recession of the 1980s - admittedly further than it did in the 1960s, when it never went below 6 per cent. But this is still a complete contrast to the 1980s when falls by double digit amounts in the US and Germany; and even in the UK prices dropped by an average of nearly 5 per cent for three years running. Indeed, it is ludicrous for enemies

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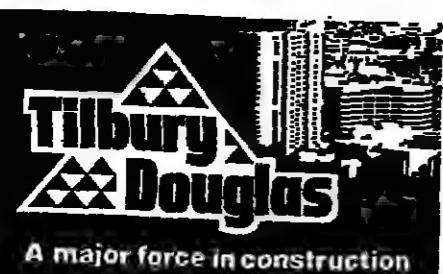
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A major force in construction

FINANCIAL TIMES COMPANIES & MARKETS

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Thursday March 25 1993



WOLSELEY
Au delà de la
technique

INSIDE

Pernod-Ricard rises 15% to FFr1.13bn

Pernod-Ricard, the leading French group, lifted profits by 15 per cent to FFr1.13bn (\$204m) as sales fell, owing to disposals. Mr Patrick Ricard, chairman and chief executive, said that "despite the unfavourable economic environment and the decline in consumption" the group had continued to show growth. Page 18

BCI tumbles 16.9% to L284bn

Bank Commerciale Italiana, the state-run Italian bank set for privatisation, suffered its second year of sharply-falling net profit with a 16.9 per cent drop to L263.5bn (\$167m). BCI attributed its lower earnings to higher taxes and depreciation, write-offs on securities and heavier provisioning for loan losses. Similar factors are likely to push down earnings at most Italian banks this year. Page 18

China tries to stem the rush



Securities regulators trying to impose order on the speculative frenzy that prevails in China – some of it in the street where market makers scrawl prices on blackboards – will have been reminded of Mr Deng Xiaoping's dictum: "Cross the river by feeling the stones." But the problem for the regulators is that the river is flowing swiftly and the stones are by no means secure... Page 20

Blenheim sees 'excellent' year

Blenheim Group, the UK exhibition organiser, forecast an "excellent" year after announcing higher than expected profits of £49.7m (£70.5m). Mr Neville Such, chairman, said the company's established exhibitions had weathered recession in its main markets. Page 22

Credit Lyonnais' looming gloom

Analysts expect gloom on Monday when Credit Lyonnais, one of Europe's biggest banks, reveals its 1992 results – which may show a rise in heavy provisions. The grim scenario could jeopardise Credit Lyonnais' hopes of being privatised and pose a threat to its chairman Mr Jean-Yves Habermann. Appointed by France's socialists in 1988, he risks losing his job if the right gains power. Page 19

Platinum move signals anguish

Tuesday's announcement by Rustenburg Platinum, the world's largest producer, that it was closing its Bochfontein shaft signalled the distress felt by South African platinum producers. Page 24

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Chief price changes yesterday

PRAGUE/VIENNA	Price	Change	Price	Change
Octavia-Benz	605.5	+ 11	Mercedes	+ 16
Honda Zeta	1030	+ 48	Peugeot	+ 11
Mercedes 190	4615	+ 15	Schaeffer	+ 11
Audi 100	355	- 18	Volvo	+ 12
Renault 25	550	- 10	Skoda (Sedan 1.6)	+ 15
Kondor	525	- 10	Skoda (Sedan 1.8)	+ 15
Philips (Compact)	515	- 23	Roupa-Lied	+ 55
TOYOTA (Vend)	575	- 14		
Dell Computer	35	+ 14		
Motorola	314	+ 24		
Philips	224	+ 10		
Siemens	224	+ 11		
Amico	324	+ 11		
Camel Cigarettes	338	- 4		
Mark	354	+ 34		
PARIS (PPM)				
New York prices at 12.30pm				
LONDON (Pence)				
Alcan	51	+ 5	BP	- 5
Amico	50	+ 5	BSP	- 5
Carson Cables	748	+ 27	Burr & Watt	+ 218
Electrolux	448	+ 18	Budweiser	- 14
Flamefront	368	+ 19	Cybernetics	+ 35
Pilkington	155	+ 7	Dowling Kild	+ 254
Remondix (9)	155	+ 7	Foster (L)	+ 18
Richards Wharf	77	+ 6	Hornbeam	+ 127
Standard Life (G)	118	+ 7	Lamco	+ 173
Stobart	31	+ 6	Lambert Hecht	+ 443
UMECO	38	+ 6	Wilkes (A)	+ 65
WSSL	645	+ 50		

Nestlé gains 9.2% and increases dividend

By Ian Rodger in Zurich

increased from SF11.50 per share to SF12.50, and from SF12 to SF14 per participation certificate.

Meanwhile, the group, which also became the world's largest supplier of mineral waters following its SF3.4bn acquisition of Source Perrier last summer, announced plans for a rights issue.

The terms would be disclosed later. The group said it would be "at below market price" at the rate of one for every 25 registered

or bearer shares and two for every 25 participation certificates.

The directors are also proposing to convert the participation certificates into bearer shares at the rate of two shares for each certificate, and then to convert all bearer shares into registered shares at a rate of one for one. The aim was to simplify the capital structure and increase the market liquidity of Nestlé shares.

The board is convinced this measure will render Nestlé

shares even more attractive to institutional investors," the company said in a statement.

Owners of bearer shares and participation certificates could remain anonymous by not registering their holdings. In that case, however, they could not vote on their holdings.

The 9.2 per cent growth in net profit for the year was, as forecast, substantially below the 16.5 per cent rate achieved in the first half, but it was higher than some recent analysts' estimates.

Sales were up 8 per cent to SF64.5bn and the group said volume grew 3.3 per cent. "This increase, which is neither influenced by currencies nor by acquisitions, is all the more satisfactory since it was obtained in spite of economic downturns in many regions of the world," Nestlé said.

Trading profit gained 10.8 per cent to SF76.6bn, indicating a margin improvement for the third year in a row, although not reflected at net profit level.

Six GM colleagues join Lopez at VW

By Martin Dickson
in New York

SIX EUROPEAN colleagues of Mr Ignacio Lopez de Arriortua, the Spanish purchasing chief who quit General Motors last week to join Volkswagen, have also resigned from GM to join him at the German car manufacturer.

Three of them were among 20 GM purchasing executives in charge of buying parts and materials around the world, while the three others were more junior buyers.

The German company refused to confirm that the men would join the company.

Mr Lopez was appointed last week as head of production and purchasing at VW.

He was estimated to have cut \$1bn or more of purchasing costs from GM's loss-making North American operations since his appointment as head of worldwide purchasing in May of last year.

Analysts regarded his departure as a considerable blow to GM's North American cost-cutting programme, as it brought an idiosyncratic flair to the job, but they did not think the loss of his six colleagues would have much additional impact on GM.

GM itself said the resignations of the six would have "little consequence" for its programme.

Four of the six worked for GM in Detroit and followed Mr Lopez there from Europe. They are Mr Jose Gutierrez, who was in charge of buying machinery and equipment; Mr Hugo Van der Auwerda, in charge of buying metals, who came to the US in January; Mr Francisco Garcia, the executive responsible for purchasing bought electrical parts; and Mr Andre Versteeg, a more junior buyer.

The two other buyers worked for GM in Europe and were named as R. Piazza and J. Alvarez.

Analysts said the four Europeans in Detroit might in any case have found it hard to adapt to working for Mr Lopez's successor, who is expected to be named by GM before the group's board meeting on April 5.

If the Telegraph's proposals are agreed at open

Telegraph to influence the recovery of Southam". At the time Mr Joe Cooke, The Telegraph's managing director, said The Telegraph would have "quite a lot of influence" over Southam.

One institution says it is unhappy with the Southam deal.

"The attraction to us in the south was The Telegraph itself, not the rest," said the fund manager.

The Telegraph because we thought Mr Black was a good punter in media shares," another shareholder argues. "Anyone who bought shares in The Telegraph knows that he [Mr Black] is a substantial shareholder and has an acquisitive track record. It's a case of the minority shareholders reviewing every deal put to them."

In the original circular, the Southam poison pill was described but the potential restrictions on Hollinger's and The Telegraph's influence were not emphasised. It said the holding proposed "should enable The

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INTERNATIONAL COMPANIES AND FINANCE

Pernod-Ricard rises 15% despite reduction in sales

By Alice Rawsthorn in Paris

PERNOD-RICARD, one of France's leading drinks groups, increased net profits by 15 per cent to FF1.13m (£204m) last year from FF1.93m in 1991.

Mr Patrick Ricard, chairman and chief executive, said that "despite the unfavourable economic environment and the decline in consumption", the group had continued to show growth chiefly due to its international expansion strategy.

The group saw turnover fall by 4.8 per cent to FF14.5bn in 1992 from FF15.22bn in 1991. This decline in sales was due

to disposals, notably the sale last May of the bulk of the Société des Vins de France wine business. Mr Ricard said the underlying rate of sales growth was 4.7 per cent.

Pernod saw operating profits fall to FF1.98m from FF2.05bn in 1991, mainly because of disposals. However, it compensated with an increase in exceptional gains from FF1.6m to FF2.6m over the same period. The board has raised the dividend by 6 per cent to FF16.5 for 1992.

The company, like other French concerns, was affected by the franc's strength follow-

ing the September currency crisis. It estimated that exchange rate changes reduced sales by FF1.25m and operating profits by FF1.2m.

Last year was the first that Pernod received more income from its international operations than from its French business.

It continued its international growth last year by opening subsidiaries in Taiwan and South Korea and setting up joint ventures in Poland and Hungary. It is expanding its domestic activities, notably by securing the distribution contract for Pepsi-Cola in France.

Skanska plunges to SKr3.53bn deficit

By Christopher Brown-Humes in Stockholm

SKANSKA, Scandinavia's largest construction and property company, plunged to a SKr3.53bn (£457m) loss after financial items in 1992, due to huge property write-downs, high interest rates and the impact of foreign currency speculation.

The worse-than-expected result, which compares with a SKr7.25bn profit in 1991, led the company to cut its dividend to SKr1.50 per share from SKr3.25.

The two main reasons for the deficit were SKr1.5bn in property write-downs and one-off financial losses of SKr1.4bn. However, weaker market conditions for the group's main activities led to an 8 per cent slump in revenues to SKr31.9bn and to a 21 per cent fall in operating income to SKr3.47bn from SKr12.12bn.

The property write-downs, which compare with SKr1.50bn in 1991, were much bigger than envisaged at the eight-month stage, when the group said they would total SKr1.5 to SKr2bn. They reflect lower real estate values both in Sweden and abroad.

Write-downs on the value of the group's Swedish real estate book totalled SKr1.5bn, while properties in London and Oslo were written down by more than SKr1.5bn. A further SKr800m in write-downs related to other foreign properties.

The group suffered an extraordinary SKr518m loss due to foreign currency deals which resulted in the dismissal of the head of its finance subsidiary, Skanska Kapitalförfatning, last August.

However, because the portfolio was financed by short-term borrowing, the group incurred heavy financing costs when Swedish overnight interest rates shot up to 500 per cent last September. Realised losses in the portfolio, which has now been discontinued, plus financing costs totalled SKr87m.

Banca di Roma in L102.5bn profit

By Halg Simonian in Milan

BANCA DI ROMA, Italy's biggest bank in terms of branches, reported pre-tax profits of L102.5bn (£64.3m) last year. A direct comparison with 1991 is not possible as the bank represents the merger last August of the former Banco di Roma with Banco di Santo Spirito, itself an amalgam of the latter bank and the Cassa di Risparmio di Roma.

In spite of gross profits of L2.006bn - 9 per cent up on the 1991 figure for Banco di Roma and Banco di Santo Spirito combined, the dividend is being halved to L35 a share.

Around 10 per cent of the bank's capital is floating.

Banca Commerciale Italiana, the state-controlled Italian bank which is to be privatised, suffered its second consecutive year of sharply-falling net profits with a 16.3 per cent drop to L263.8m in 1992.

The reduction in earnings at parent bank level followed a 33 per cent slump in 1991. However, the dividend again remains unchanged at L200 for ordinary shares and L230 for savings stock.

BCI attributed its lower earnings to higher taxes and depreciation, write-offs on securities and heavier provisioning for

loan losses. Similar factors are likely to push down earnings at most Italian banks this year.

Earnings at operating level showed an opposite tendency, with a 21.2 per cent jump in gross profits to L1.390bn, due partly to careful cost control matched by a slight decrease in staff numbers.

Continuing heavy investments in new branches, which increased the network by 60 units to 708 at the end of last year, contributed to a 10.9 per cent rise in deposits to L52.756bn. Loans rose by 13.8 per cent to L55.336bn. At group level, total assets last year went up to L131.000bn from

L117.053bn in 1991.

Monte dei Paschi di Siena, the Italian bank, is set to take majority control of Sindibank, the small Spanish financial institution in which it bought a minority holding in 1990.

Sindibank, controlled by the Piero group, has 40 branches and is currently stock market listed. Monte dei Paschi plans to raise its stake to 57 per cent from the current 38 per cent via a capital increase now under way.

That will be followed by a public tender offer for the remaining shares left floating, after which Sindibank will be delisted.

Earnings at Veba decline 20%

By Ariane Genillard
in Düsseldorf

VEBA, the German industrial conglomerate, confirmed yesterday it would maintain its dividend at DM12 a share despite pre-tax profits dropping by 20 per cent to DM2.342bn (\$1.435bn) in the year to December 31.

Net profits, after goodwill write-downs, fell by 14.7 per cent to DM1.043bn, down from DM1.222bn the year before. Net income after minority interest

stood at DM906m, down from DM1.095bn in 1991.

"The current drop in earnings is not strong enough to lower our dividend. We are prepared to follow a smooth rather than strict correlation between earnings and the dividend," the company said.

Group sales for 1992 rose by 9.9 per cent to DM65.4bn. Two-thirds of the increase reflects the acquisition of the forwarding company, Schenker. Production costs rose by 11.2 per cent reflecting the consolidations.

LASMO slashes dividend after loss

By Deborah Hargreaves
in London

North Sea Analysis have estimated it might fetch £100m.

Mr Darby said he was looking at re-focusing Lasmo, strengthening its balance sheet and putting a drive on core exploration while divesting much of its peripheral interests. But some analysts suggested the company could be jeopardising future growth.

"You've got to differentiate between fat and muscle and Marham is more muscle than we've recently got rid of, but there is not huge upside potential there," said Mr Darby.

Lasmo made an operating profit before exceptional items of £112m compared with a loss of £3m the year before. But the company was hit hard by exceptional items of £248m. These included a writedown of £232m as it revalued its assets.

Lex. Page 16

based on lower price expectations and more conservative reserve estimates for some of its fields. Lasmo is testing all of its oil projects against a flat oil price of \$19 a barrel. Production is planned to rise by 40 per cent during the next five years to 220,000 barrels a day.

The company also changed its accounting procedures and the loss for 1991 was restated to £4m. Its debt-to-equity ratio rose to 11 per cent at the end of the year and once the benefit from disposals made last year feeds through, gearing will fall to 8 per cent.

Earnings per share before exceptional items were 4.6p and after exceptions, the company incurred a loss of 5.2p a share compared with a loss of 2.8p in 1991. Lex. Page 16

Esselte returns to the black

By Christopher Brown-Humes

ESSELTE, the Swedish office products group, has reported a SKr259m (£32m) profit after financial items for 1992, after the demerger of loss-making unit and rationalisation measures helped it turn round a 1991 loss of SKr161m.

Despite this, the group is cutting its dividend to SKr1.50 per share from SKr1.55 in 1991. The property write-downs, which compare with SKr1.50bn in 1991, were much bigger than envisaged at the eight-month stage, when the group said they would total SKr1.5 to SKr2bn. They reflect lower real estate values both in Sweden and abroad.

Write-downs on the value of the group's Swedish real estate book totalled SKr1.5bn, while properties in London and Oslo were written down by more than SKr1.5bn. A further SKr800m in write-downs related to other foreign properties.

The group suffered an extraordinary SKr518m loss due to foreign currency deals which resulted in the dismissal of the head of its finance subsidiary, Skanska Kapitalförfatning, last August.

However, because the portfolio was financed by short-term borrowing, the group incurred heavy financing costs when Swedish overnight interest rates shot up to 500 per cent last September. Realised losses in the portfolio, which has now been discontinued, plus financing costs totalled SKr87m.

L.M. Skauen said debt had

been reduced by about NKr1bn from NKr326m, of which NKr652m was long-term debt.

It said the winding up of former activities was not yet complete, but outstanding assets and liabilities were relatively minor.

Administration costs were reduced by half to NKr271m.

I.M. Skauen last year transformed itself from a diversified shipowner to an owner and operator of petrochemical gas carriers. It established Norwegian Gas Carriers to cover this activity. It forecast continued weakness in the petrochemical gas carrier market in 1993, mainly due to profitability problems in the west European petrochemicals industry.

Argentaria issues details of sell-off

By Tom Burns in Madrid

ARGENTARIA, the state-owned Spanish banking corporation, yesterday said that 80 per cent of the shares in the group which are to be privatised will be sold to domestic buyers.

Mr Francisco Luzon, the group's chairman, said this tranche would come from a total of between 15 and 25 per cent of the capital to be sold off.

No details on pricing were given, but the offering could raise up to Pt150bn (\$1.29bn).

Argentaria's consolidated book value on December 31 1991 was Pt152bn, and its current market capitalisation is conservatively estimated at Pt160bn.

Mr Luzon said Spanish retail investors would receive preferential treatment in the offering and be able to acquire Argentaria shares for a minimum outlay of Pt25,000 (\$215) and a maximum one of Pt35k.

He said he would like to place 20 per cent of the banking group but would raise the offering to 25 per cent, the maximum authorised by the government, if domestic demand proved strong enough.

The weighting towards the retail domestic market follows the pattern established by the state-controlled energy group Repsol.

Sharp deterioration at Norwegian shipowner

By Karen Foss in Oslo

I.M. SKAUGEN, the shipowner that is listed on the Norwegian bourse, reported a sharp deterioration in 1992 pre-tax losses to NKr663m (£81m) from NKr161m.

The company said the weak performance reflected the completion of a major turnaround of the group, which aims to reduce financial and operational risks and debt.

Gross freight revenue was halved last year, to NKr1.2bn from NKr2.4m a year earlier, due to weak markets and a reduction in the fleet. Net financial items rose to NKr12m, from NKr6m.

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Coupons must be left for at least four clear days for examination (eight days if payment in United States currency has been requested) and may be presented any weekday (Saturday excepted) between the hours of 10 a.m. and 3 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the London Securities Department of Barclays Bank plc, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made the net amount of the dividend, after deducting United Kingdom income tax at 25% will be 14.25 cents (United States) per share.

In the case of payments made in United Kingdom currency the sterling equivalent of the net dividend will be calculated in accordance with sub-paragraph (b) above.

Copies of the Interim Report of Minorco for the half-year to December 31, 1992 will be available after March 29, 1993 from the Registered Office of the Corporation and the offices of the paying agents referred to above.

By Order of the Board, N.Jordan, Secretary, March 25, 1993

Minorco Société Anonyme

RC Luxembourg No. B12139

MINORCO

Notice to Holders of Bearer Share Certificates - Payment of Coupon No. 11

With reference to the notice of proposed interim dividend advertised in the press on March 18, 1993 the following information is published for the guidance of holders of bearer share certificates.

The dividend of 19 cents was declared in United States currency. The dividend will be paid on or after May 5, 1993, against surrender of Coupon No. 11 detached from bearer share certificates as follows:

(a) at the offices of the Corporation's Continental paying agents:-

Banque Générale du Luxembourg Crédit du Nord
14, rue Aldringen 6-8 boulevard Haussman
Luxembourg 75009 Paris
Grand Duchy of Luxembourg France

(b) at the London Securities Department of Barclays Bank plc, Stock Exchange Services Dept., 168 Fenchurch Street, London EC3P 3HF. Unless persons depositing coupons at such office request payment in United States dollars (in which case they must comply with any applicable Exchange Control regulations), payment will be made in United Kingdom currency either:-

(i) in respect of coupons lodged on or prior to April 28, 1993, at the United Kingdom currency equivalent of the United States currency value of the dividend on April 13, 1993; or

(ii) in respect of coupons lodged on or after April 29, 1993, at the prevailing rate of exchange on the day the proceeds are remitted to the London Securities Department of Barclays Bank plc.

Coupons must be left for at least four clear days for examination (eight days if payment in United States currency has been requested) and may be presented any weekday (Saturday excepted) between the hours of 10 a.m. and 3 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the London Securities Department of Barclays Bank plc, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made the net amount of the dividend, after deducting United Kingdom income tax at 25% will be 14.25 cents (United States) per share.

In the case of payments made in United Kingdom currency the sterling equivalent of the net dividend will be calculated in accordance with sub-paragraph (b) above.

Copies of the Interim Report of Minorco for the half-year to December 31, 1992 will be available after March 29, 1993 from the Registered Office of the Corporation and the offices of the paying agents referred to above.

By Order of the Board, N.Jordan, Secretary, March 25, 1993

Minorco Société Anonyme

RC Luxembourg No. B12139

COMMERCIAL BANK

NOTICE IS HEREBY GIVEN that this year's Annual General Meeting of Commerzbank AG will be held in Bremen on May 7, 1993, at 10.30 a.m.

AGENDA (abridged version)

- To consider the Bank's established Annual Accounts, the Report of its Board of Managing Directors on

INTERNATIONAL COMPANIES AND FINANCE

Grim scenario for Crédit Lyonnais

Heavy provisions could push bank into the red, says Alice Rawsthorn

ANALYSTS are bracing themselves for gloomy figures next Monday when Crédit Lyonnais, one of Europe's biggest banks and France's most prominent state-controlled companies, publishes its 1992 results.

Mr Jean-Yves Haberer, Crédit Lyonnais' controversial chairman, has warned that 1992 was the group's worst year for two decades. Given that it suffered a loss of FF177m in 1974, the bank may have fallen back into the red last year.

Crédit Lyonnais barely broke even in the first half of last year after provisions of FF6.3bn (\$1.1bn), and Mr Haberer has warned that provisions will be even higher in the second half.

This grim scenario could not have come at a worse time. First, it could jeopardise Crédit Lyonnais' hopes of being privatised. It also poses a threat to Mr Haberer, who was appointed by the socialists in 1988 and risks losing his job if, as expected, the right wins power.

Mr Haberer has pursued an aggressive policy in terms of loans and international expansion in his five years at Crédit Lyonnais.

As a result, it has been much more vulnerable than its fellow French banks to the economic slowdown. Crédit Lyonnais is not only heavily exposed to the weakest areas of the French economy - small companies and commercial property - but also to a string of corporate catastrophes, including \$25m to Robert Maxwell's media empire and \$350m to the Olym-



Jean-Yves Haberer: chairman could lose his job if right wins poll

pia & York property group.

The most tortuous saga has been its involvement with the bid by Mr Giancarlo Parretti, the controversial Italian financier, for MGM, the Hollywood movie studio. Crédit Lyonnais has been left with a stricken film business, a string of lawsuits and persistent speculation that its final exposure will be higher than its official estimate of \$300m.

These "big hits" have been largely responsible for the steep increase in Crédit Lyonnais' provisions. The average level of provisions as a percentage of average loans has trebled in the past three years, to 1.6 per cent on an annualised basis for the first half of 1992, against an average of 1 per cent for the other big three French commercial banks.

Some aspects of Mr Haberer's strategy have worked, however. Crédit Lyonnais' French banking network is still robust, mainly because of prudent cost-cutting. Its international expansion has also been successful, particularly in Spain and Italy. The group continued its growth last year by taking control of BIG Bank in Germany.

"There is no cause for concern on the domestic front," says Mr Chris Davis, European banking analyst at EZEW Securities. "Crédit Lyonnais has held its own in a difficult market. It has also done well with its European network."

The critical question is how much longer will Crédit Lyonnais' results be clouded by write-offs on its loan portfolio? The answer is complicated by its refusal to release details about provisions, or even to specify whether it has finished writing down its exposure to "big hits".

"It is very difficult to tell

what is going on," says Ms Sheila Garrard, banking analyst at Shearson Lehman in London. "But the French economy is still weak and it will take time for small businesses and commercial property to recover. We're likely to have more high provisions in 1993."

In theory, Crédit Lyonnais, alongside Banque Nationale de Paris, the other big state-controlled bank, should be one of the first candidates for privatisation by the new government. But the conservatives, were forced to postpone plans to float the bank in their last administration after the 1987 stock market crash, and will undoubtedly have to delay the sale.

Crédit Lyonnais is not sellable in the near-term," says Ms Susan Sternberg, European banking analyst at Goldman Sachs. "It will have to wait until it can show that its loan book is in good shape and that it has real prospects for profits recovery. That could happen in 1994 if there are no more major corporate losses."

The other big issue is whether the conservatives will allow Mr Haberer to lead Crédit Lyonnais into the private sector. The arrival of a new administration is traditionally followed by the weeding out of old appointees.

Mr Haberer is undoubtedly vulnerable. He is seen as a socialist sympathiser, although he worked for conservative ministers in the 1980s and 1970s. Moreover, if the new government ousts him, Crédit Lyonnais' 1992 results will probably provide a suitable excuse.

Prices for electricity determined for the purposes of electricity pricing and taxation in England and Wales		
Period	Per kWh	Per unit
1st hour	14.696	14.696
2nd hour	18.01	18.07
3rd hour	17.97	18.67
4th hour	19.18	22.25
5th hour	22.02	27.55
6th hour	22.03	27.55
7th hour	18.11	19.80
8th hour	18.00	19.43
9th hour	17.97	19.44
10th hour	17.98	19.75
11th hour	17.98	19.75
12th hour	17.98	19.75
13th hour	17.98	19.75
14th hour	17.98	19.75
15th hour	17.98	19.75
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30th hour	17.98	19.75
31st hour	17.98	19.75

Isosceles write-off helps push A&P to \$189m loss

By Nidd Tait

GEATR Atlantic & Pacific Tea Company, the US supermarket operator in which Germany's Tengelmann group holds a majority stake, reported a \$189m loss after tax in the year to February 27.

The loss contrasts with a \$70.7m profit in the previous 12 months, and comes on sales of \$10.5bn, down from \$16.8bn in 1991-92.

Much of the deficit is the result of a \$151.2m write-off of A&P's investment in Isosceles, the UK company which bought out Gateway in a leveraged deal, and a \$9.1m charge related to accounting changes.

However, even at the operating level, A&P posted sharply lower profits - down from \$203.9m in 1991-92 to \$4.3m last year.

The bank said that the deal was expected to increase its earnings per share in the fourth quarter.

S&P also pointed to the group's plan to sell a large shareholding in its First Data Corporation subsidiary as one way of offsetting write-offs, such as a \$342m charge last year related to the restructuring of the TES division.

The First Data offer began yesterday. But S&P noted "there may be fewer such non-recurring gains available in the future to offset unforeseen weaknesses."

American Express said the ratings changes would have "an insignificant impact" on its funding costs.

Last year, losses at Siemens Nixdorf Informationssysteme, the lossmaking German computer company owned by Tengelmann, dropped by 6 per cent to DM4.5bn (\$2.76bn) in the first five months of its financial year.

Mr Hans-Dieter Wiedig, chief executive, yesterday blamed troubled conditions in the company's foreign markets for the drop, together with the upwards valuation of the D-Mark, which accounted for one-third of the fall in turnover in the five months to the end of February.

The sales downturn reflected poor conditions in Italy, Spain and France.

In the UK, however, order

intake increased by 15 per cent in the five months. Sales in Germany had remained virtually static.

Mr Wiedig said the number of employees had fallen by 1,700 since the beginning of the financial year and was set to drop by a further 3,200, to around 44,000 by the end of the year.

He did not comment directly yesterday on the outlook for the company's profit and loss account.

In November last year, Siemens Nixdorf said it expected a further reduction in losses in 1992-93, after reporting a net deficit of DM512m in the year to September, down by 34 per cent on 1990-91.

S&P yesterday affirmed its A-rating of Shearson's senior debt.

American Express downgraded by S&P

By Alan Friedman in New York

AANDARD & POOR'S, the US credit rating agency, has downgraded its rating on American Express, the travel and financial services group.

The American Express Credit Corporation was downgraded from AA- to A-Plus and commercial paper from A-1 Plus to A-1 and preferred stock from A-Plus to A.

S&P said the downgrades reflected lower profitability at the core travel-related services (TRS) division and the company's continuing early member attrition rate, TRS, according to S&P, faced increasing competitive pressure, which is expected to continue to affect net earnings.

S&P also pointed to the group's

INTERNATIONAL COMPANY NEWS AND CAPITAL MARKETS

Jardine Matheson rises 17% as HK performs strongly

By Simon Davies
in Hong Kong

JARDINE Matheson, one of Hong Kong's oldest trading conglomerates, yesterday reported a 17 per cent increase in net profits to US\$316.5m for the 1992 fiscal year, up from \$270.8m in 1991.

The Hong Kong operations performed strongly, particularly in car sales and financial services, but group earnings were pulled down by the performance of its Japanese businesses.

Earnings from north-east Asia fell to \$26.1m from \$61.5m, as a result of falling sales of wines and spirits in Japan and the impact of the depressed Tokyo stock market on Jardine Fleming, the group's 50 per cent owned investment concern.

Jardine was recently the target of a denunciation by China, which claimed the former opium trading company was a "bad element in Hong Kong's business community".

Mr Nigel Rich, managing director, said Jardine Matheson would continue to expand its businesses both in Hong Kong and China, pointing out that the group has traded in China for more than 50 years, and has been through difficult times before". Jardine Matheson is planning to expand its retailing and distribution businesses across the border, but so far the contribution from China is minimal.

Net profits were lifted by a \$21.8m fall in tax as a result of



Nigel Rich: plans further expansion in China

previous over-provisioning.

Pre-tax profits from Jardine Pacific, which includes the group's trading, distribution and construction businesses, increased by \$31m to \$228.7m, helped by a 15% per cent jump in profits from motor trading subsidiary Jardine International Motors.

Jardine Fleming's earnings were hit by a sharp fall in profits from UK-listed Jardine Insurance Brokers.

Jardine Strategic, the 50 per cent owned investment holding company which controls Dairy Farm, Hong Kong Land and Mandarin Oriental, contributed \$367.1m, up from \$333.8m in 1991.

Jardine Matheson will pay a final dividend of 15 cents, making a full-year payout of 18.7 cents, up 14 per cent from 1991.

New World advances 48%

By Simon Davies

NEW World Development, the Hong property development and hotels group controlled by Mr Cheng Yu-tung, yesterday reported a 48 per cent increase in net profit to HK\$1.39bn (US\$181m) for the six months to December 1992, up from HK\$936m in the previous year.

The bulk of earnings growth came from property sales,

NEWS IN BRIEF

JVC to sell stake in video unit to UK group

VICTOR Company of Japan (JVC), the Japanese consumer electronics group, has agreed to sell half of its 50 per cent stake in CIC Victor Video to CIC-Video of the UK in April, Reuter reports from Tokyo.

The sale gives CIC-Video 75 per cent of CIC-Victor Video, a joint venture of MCA and Paramount Communications, which markets video tapes in Japan of films made by the two US film studios.

■ DBS Land, a Singapore property group, posted a 14 per cent rise in net profits to \$36.2m (US\$46.4m) for 1992 from \$30.9m the year before, AF-DJ reports from Singapore.

Turnover advanced 17 per cent to \$309.7m from \$265.5m. Earnings per share rose 14 per cent to 9 cents from 7.9 cents and the dividend is maintained at 5 cents a share.

■ Nissan Chemical Industries and Sumitomo Chemical, two Japanese chemicals groups, are to set up a joint venture with Rhône-Poulenc, a French chemicals group, Reuter reports from Tokyo.

The venture, yet to be named, will be launched in Lyons to develop and sell agricultural chemicals in France. It will be 60 per cent owned by Sumitomo, 30 per cent by Nissan Chemical and 10 per cent by Rhône-Poulenc and aims at sales of FF150m (\$21.2m) a year.

■ Singapore Aerospace, the aircraft maintenance group, unveiled net profits of \$24.2m (US\$32m) for 1992, up 13 per cent on the previous year's \$21.2m, AP-DJ reports from Singapore.

The directors expect profits to advance at a similar rate in 1993. Sales rose 15 per cent in 1992 to \$421.3m from \$373.8m.

The dividend is being maintained at 2.5 cents a share on earnings per share 13 per cent ahead at 8 cents against 7.1 cents.

Comparing Foodcorp's results with the combined Fed-food-Kanym performance in

China's regulators face an unenviable task

Tony Walker and Diedre Nickerson look at Beijing's attempts to impose market order

CHINA'S unruly and virtually unregulated stock markets must present an alarming picture when viewed from Beijing, where the heavy hand of officialdom is perhaps most visible.

Indeed, a member of the leadership was quoted recently in an official publication as describing China's stock markets in the southern economic region of Shenzhen and in Shanghai as among the world's most risky. He warned that unless stock market fever was restrained it would "doubtlessly impose an increasingly negative impact on the country's economic reform and economic development".

Foreign lawyers, bankers and representatives of international institutions such as the World Bank and International Monetary Fund have been urging the promulgation of a new securities law and regulations governing the operations of the stock markets.

Mr Jerome Cohen, an authority on the Chinese legal system, said that while such regulations were indispensable to the creation of a successful capital market, of even more importance was the ability of supervisory bodies to transform "legislative language into living reality".

This, he observed, would not be an easy task, and would require greatly strengthened legal institutions, including not only the courts, the procur-

acy and legal profession, but also relevant government supervisory agencies.

In contrast, attitudes among Chinese officials charged with advising the central authorities on a new securities law and other regulations, seem, in some cases, remarkably insouciant about the dangers of a South Sea Bubble crash in China's fledgling markets.

Trading volume in A shares, for local Chinese, and B shares denominated in US dollars, for foreigners on the Shanghai and Shenzhen exchanges, exceeded Yn100bn (£17.2bn), last year, compared with just Yn10bn in 1991. This is extraordinary growth by any standards. 50 companies were listed at the end of the year, against 15 at the beginning.

Last October, the State Council, or cabinet, announced the establishment of a Securities Policy Committee (SPC), involving representatives of 14 entities, including the People's Bank, China's central bank, and Securities Regulatory Commission (SRC) to advise on securities-related matters.

These bodies were charged with strengthening macro-control of the markets. But doubts persist as to the likely effectiveness of the national SRC, given difficulties of co-ordination among the multitude of bureaucratic institutions involved in the regulatory process and certain resistance from increasingly independent regional authorities.

The SPC and SRC have been advising a special securities law drafting committee which recently circulated a 131-article proposed law, covering the gamut of equity securities issues from insider trading to the operations of futures markets and the establishment of securities companies and investment funds.

Among criticisms of the draft is that while it includes penal provisions, it is weak on arrangements for enforcement - a responsibility of the SRC. The law is restricted to equities. It is unclear when national regulations dealing with debt securities might emerge.

Some Chinese companies, including Shanghai Petrochemical and Qingdao Brewery, are working towards Hong Kong listings. But foreign lawyers and accountants familiar with these cases say they are proving inordinately complex because of difficulties in valuing assets, establishing the full extent of liabilities and any one of a dozen or more requirements for the issuing of prospectuses to comply with international standards.

Another of the SRC's responsibilities will be to regulate over-the-counter (OTC) trading under the Securities Automatic Quotation System, a nationally-based computer-linked arrangement, that is some way yet from being up-and-running. In the meantime, OTC trading is a fast-spreading phenomenon throughout China with the coastal city of Tianjin a particular focus.

Control of this form of "off-the-board" equities trading may well provide the SRC with some of its biggest headaches. OTC trading, which was designed as a means of state

companies rewarding employees with bonuses in the form of stock has spiralled to the point where business transacted in Tianjin, some of it in the street where marketmakers scrawl prices on blackboards, is believed to have exceeded trading on the Shenzhen and Shanghai exchanges combined.

The estimated figure for shares traded on the OTC or secondary market for China was in the order of Yn170bn but this almost certainly understates the volume.

Not surprisingly, given the speculative frenzy that prevails in China, staved for so long of real investment opportunities, the clamour from regional capitals for their own stock markets has been almost deafening. China's leaders have rejected these demands, and proposed instead that provinces should select a maximum of three local companies for listing on the Shenzhen and Shanghai exchanges.

China's securities regulators facing the fairly unenviable task of trying to impose order and encourage responsible self-regulation, are certain to have been reminded of the dictum of supreme Chinese leader, Mr Deng Xiaoping, "Cross the river by feeling the stones," he once observed.

The problems for the SRC and its associate organisations is that the river is flowing swiftly and the stones on the bottom are by no means secure.

Foodcorp improves in first half

By Philip Grewthu
in Johannesburg

which contributed HK\$96m to operating profit, up from HK\$64.5m in 1991. Rental income showed a slight decline, due to the sale of several floors of the Convention and Exhibition Centre, in Wan-chai. However, average occupancy stood at 96 per cent.

The company declared an interim dividend of 25 cents per share, up from 21 cents in 1991.

Foodcorp's results with the combined Fed-food-Kanym performance in

the same period last year, turnover rose by 8 per cent to R13.5bn (\$405m) from R12.6bn. Lower finance costs offset a decline in operating income, so pre-tax profits were unchanged at R7.2m. A lower tax bill helped lift attributable profits to R45m from R40m.

Earnings per share rose by 14 per cent to 95 cents from 83 cents, but the dividend was cut to 23 cents from 32.4 cents per share in line with a new policy that dividends should in future be paid on a 40:60 interim to final ratio.

Mr Dirk Jacobs, chief executive, said the first half had been characterised by weak consumer demand resulting in lower volumes and tighter margins as selling prices could not be increased to compensate for higher input costs. Rationalisation benefits and productivity improvements had allowed margins to be maintained.

Mr Jacobs said the market for the group's products was likely to remain depressed for the rest of the year.

However, he forecast that the rate of earnings growth achieved in the first half would be maintained for the full year.

Shake-up at Australian mutual life association

NATIONAL Mutual Life

Association of Australasia is to restructure its Australasian insurance operations to cut costs and improve service, Reuter reports from Melbourne.

National Mutual, Australia's second-largest life office, said it

would reduce duplication, provide a flatter management structure, and reduce the size of the head office.

Mr Geoff Tomlinson, managing director, said the number of redundancies could not be predicted. The unlisted com-

pany cut staff by 10 per cent to 6,500 people in the year to September 30 1992.

Mr Tomlinson said National Mutual aimed to make each of its profit centres as autonomous as possible and committed to meeting a reasonable profit target.

He said Australasian insurance would be split into five profit centres and four support units.

National Mutual lost A\$46.8m (US\$31.7m) in 1991-92, the first year it published audited profit figures.

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March 25, 1993 London Agent: Citibank, N.A. (Banker Services), Agent Bank

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A T R E U S
F L C

Placing and Public Offer by Sheppards

Result of Offer for Sale of 16,250,000 Shares and Basis of Allocation

A total of 6,786 applications for 90,330,636 shares were received.

As part of a priority application procedure, 1,625,000 shares were reserved for existing shareholders of ATR International and applications totalling 5,311,486 shares were received in respect of this offer. The basis of allocation for these priority applications is as follows:

Application
Up to 1,500 shares
Basis of Allocation
In full

In excess of 1,500 but not exceeding 5,000 shares
Approximately 28.2% of the shares applied for

In excess of 5,000 shares
Ballot for 1,000 shares

In excess of 5,000 but not exceeding 14,000 shares
20% of the shares applied for

In excess of 14,000 but not exceeding 250,000 shares
19% of the shares applied for

In excess of 250,000 shares
No allocation

In respect of the Public Offer applications for a total of 85,019,150 shares were received and the basis of allocation is as follows:

Application
Up to 2,500 shares
Basis of Allocation
Ballot for 500 shares

In excess of 2,500 but not exceeding 5,000 shares
20% of the shares applied for

In excess of 5,000 but not exceeding 14,000 shares
19% of the shares applied for

In excess of 14,000 but not exceeding 250,000 shares
No allocation

In excess of 250,000 shares
No allocation

It is expected that Renounceable Letters of Acceptance will be posted to successful applicants

COMPANY NEWS: UK

Provisions mar 'fine performance' by UK construction side

Amec deficit accelerates to £88m

By Andrew Taylor,
Construction Correspondent

AMEC, the UK construction, engineering and property group, announced provisions of £114.6m resulting in a £97.5m pre-tax loss for the 12 months to December 31.

That compared with a £13.1m deficit last time. The 1991 results, which included provisions of £69.4m, were recalculated in line with the FRS 3 accounting standard.

The final dividend is cut from 6.25p to just 1p, making a total of 3p (12.5p) for the year.

The latest provisions included almost £34m of write-downs caused by problems with cladding on a Brighton office development block and the receivership of the Trocadero redevelopment in central London.

The group also reported a £14.3m loss, mainly in Australia, where it has previously reported write-downs on hotel, shopping and office developments in Sydney and Melbourne.

Sir Alan Cockshaw, chairman, said the provisions had marred an otherwise fine performance by the UK construction division. Senior management involved in the Brighton and Australian developments had been changed, he pointed out.



Mr Alan Cockshaw: Appropriate action taken to put things right

"We are not happy about this situation but have taken the appropriate action to put things right," he said.

Amec has written down by £18m its one fifth stake in Power Corporation, the Irish property group which took over full responsibility for redeveloping the Trocadero site after its joint venture partner, Brent Walker, ran into trouble.

These produced an operating

receivers were appointed earlier this year to the five Power subsidiaries responsible for the Trocadero redevelopment. The write-down on the Brighton development totalled £15.8m.

Amec in addition has written down by £63m the value of land and work in progress of its housing and commercial property operations.

These produced an operating

loss of £17.1m (£10.1m loss) before provisions. Overseas operations, following setbacks in Australia and the US, incurred a £13.7m loss compared with a £1.1m profit.

UK contracting profits by comparison were only 10.7 per cent lower at £55.1m (£61.7m). Sir Alan said this was an excellent performance in a difficult market.

COMMENT

There was no surprise at the size of the provisions which had been widely forecast and Amec's share price rose 50 to 81p despite the scale of the loss. The company has been honest about its mistakes and the market appears to have accepted that these have been caused by isolated management aberrations rather than by a general corporate malaise. The UK contracting business has performed well and mechanical and electrical margins, excluding the Australian problems, remain good. The lack of a quality housing operation detracts from what otherwise is an excellent range of businesses. Profits of £25m would put the company on about 10 times earnings which does not do justice to the quality of the construction business but reflects the lack of housing recovery potential.

The placing would make it more difficult for a predator to mount a takeover bid, as the shares would be more widely held.

"The rules governing charitable trusts meant that if it had received an attractive single offer for all its shares it would have been required to sell in the best interests of the beneficiaries," said Mr Dwyer.

The trust provides funds for a wide range of UK social and welfare projects. It controls investments worth about £270m, of which the Wimpey stake formerly represented about 40 per cent.

Trustees include Mrs Mary Graves and Mrs Helen Dunnett. Sir Godfrey's daughter, Dr Desmond Graves, husband of Mrs Mary Graves will remain on the Wimpey board.

The group was seeking to get better value out of its Californian operations by introducing similar management to those which had turned round the UK business. But the shares are up 15 per cent compared with the first three months of last year.

This was despite the fact that Barratt was operating from

considerably fewer sites than a year earlier.

UK profits rose from £6.3m to £7.5m, despite the number of houses sold dipping from 2,128 to 2,017. Group turnover fell from £209.7m to £174m, of which the UK accounted for £164m (£190m).

The UK incurred a £2.7m loss in the first half with the group continuing to experience problems in a depressed Californian market.

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The interim dividend is restored at 1p. Earnings per share increased from 1.4p to 2p.

COMMENT

Barratt shares, which have had a good run recently, fell 30 to 133p yesterday. There was some disappointment that the housing recovery, reported by other housebuilders, was not more in evidence and some brokers downgraded profit expectations for the full year.

The group will also need to step up its land holdings of 13,500 plots with planning permission to about 14,000 if it is to meet its three year sales target. Sir Lawrie and chief executive Frank Eaton, however, have done a tremendous job in turning round the UK business. But the shares are up 15 per cent compared with the first three months of last year.

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Seven years ago the trust reduced its 49.9 per cent stake to 34 per cent. It said it had no intention of reducing its stake below 5 per cent.

The disposal, however, may make it easier for Wimpey to issue equity to raise cash, should it eventually consider this necessary.

Barratt makes 92% surge to £4.8m

By Andrew Taylor

SIR LAWRIE Barratt, brought out of retirement 21 months ago to rescue Britain's third largest housebuilder, yesterday proposed to increase the company's output by almost two-thirds during the next three years.

Barratt Developments, which announced a 82 per cent jump in pre-tax profits to £4.8m (£2.5m) in the six months to December 31, said there were clear signs that the UK market was beginning to revive after four years of recession.

The company wants to increase the number of homes it builds from 5,000 in the current year to 8,000 by 1994.

It said it would finance expansion from within its own

resources, without resorting to a rights issue and keeping gearing to less than 50 per cent.

Since Sir Lawrie returned in July 1991, the company has cut net debt from £255m to just £21m at the end of December, including off-balance sheet borrowings. This was equivalent to 44 per cent of shareholders funds of £184m.

The biggest contribution to the first half profits improvement was reduced interest payments, which fell from £2.9m to £4m. Of this about £1.1m was due to lower interest rates and £4m to reduced debt.

Sir Lawrie said that net reservations had risen by about 15 per cent compared with the first three months of last year.

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Cheap birds shave off £10m at B Matthews

By Hugh Carnegy

PRE-TAX profits at Bernard Matthews, the poultry processor, fell by 75 per cent in 1992 as low-priced imports from the US and Europe and falling demand in the UK market for whole turkeys hit the Norfolk-based company hard.

Profits in the 53 weeks to January 3 were £23.3m, compared with £33.2m in the previous 52 weeks.

Turnover was down from £145.1m to £144.2m.

Mr Bernard Matthews, chairman, said profits from value-added processed turkey products had risen. These account for about 80 per cent of turnover.

Losses in the company's whole bird and commodity meats business had caused the overall reversal.

He said the added competitiveness as a result of sterling's devaluation had led to some improvement so far this

year. Demand was also up, but prices were still extremely low.

Meanwhile, Mr Matthews announced his company's second venture into continental Europe, through the £2.7m cash acquisition of a 90 per cent share in Sarvari Baromipari, a Hungarian producer of turkey, chicken, goose and duck meat.

Sarvar, with net assets last June of £12.3m, serves the Hungarian, Swiss and Austrian markets.

Mr Matthews said his company saw development in central Europe as a strategic opportunity for expansion.

Bernard Matthews is also engaged in a big push to establish its processed products in France. A television advertising campaign began 10 days ago. Mr Matthews said it was too early to judge the impact.

Earnings per share were 1.64p (0.95p). The final dividend was 1.25p, making a halved total of 2.89p.

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COMMENT

The new banana regime should be welcomed because it is likely to lead to a more efficient and effective market. The figures show that the share of the market held by the UK's leading retailers has increased. A 12% rise in sales and 10% in trade measures in Belgium and Luxembourg were not sufficient to meet the challenge. The figures did not reflect the impact of the EEC's trade measures, which were not present in Belgium at the time. The figures also did not reflect the fact that the UK's leading retailers held a 50% share of the market. The figures did not reflect the impact of the EEC's trade measures, which were not present in Belgium at the time. The figures also did not reflect the fact that the UK's leading retailers held a 50% share of the market.

As a first step, B&Q and Woolworth will be introducing permanently lower prices on a range of 500 products this week.

This was not the beginning of an Easter price war, Mr Mulcahy said: "A war has a beginning and an end. This will just go on and on." However, the strategy

Retailer goes for volume with low prices on 500 products

Comet growth helps lift Kingfisher to £205m

By Peggy Hollinger

SIR GEOFFREY Mulcahy, chairman of Kingfisher, yesterday committed the retailing group - which owns B&Q, Superdrug, Comet and Homebase - to a policy of everyday low prices as a way of enhancing earnings in the "lower growth 1990s."

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However, the strategy

implied that gross margins would have to fall.

Analysis welcomed the latest development in Kingfisher's strategy. "Kingfisher is one of the few retailers which understands what discounting is really about," said Mr Paul Deacon of Goldman Sachs. "It is about driving volume... and has been proven with the US experience."

Mr Mulcahy was announcing profits for the year to January 30, which showed a 5 per cent increase to £205m under the accounting standard FRS 3.

This was after a £26.4m write-down (£1.6m gain) on the development portfolio, and a £3.2m (£2.1m) charge on the disposal of group properties.

Under the old accounting standard, profits were depressed by a £22.5m net exceptional charge - arising from the property write-down from £225m to £212m.

Turnover rose to £3.55bn (£3.35bn).

The sharpest improvement came from the Comet chain, which sells electrical goods. Operating profits rose from £9.1m to £17.7m. Like-for-like sales increased by 15 per cent.

Superdrug's profits were marginally higher at £34.8m (£34.6m). The division was examining new markets following the success of retailing discounted perfumes. Kingfisher was also beginning to look into introducing pharmaceutical services in Superdrug, with

£81.1m on increased sales. However, sales were 16.5 per cent ahead in the last two months of the financial year, and the improvement in trading performance had continued.

Woolworth improved by £6.4m at the operating level to £77.8m, fuelled by strong contributions from computer games, toys, and kitchen products.

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two outlets already operating pharmacies.

Finally, Mr Mulcahy said the planned merger with Darty, the French electrical goods retailer, was due to be completed in June.

Darty shareholders would have 12 per cent of the enlarged group following the transaction and the £13m rights issue launched by Kingfisher to help fund the merger.

The final dividend is raised by 0.5p to 3.5p, for a total of 13.7p (13p).

Earnings per share fell from 35.2p to 31.3p. Under the new accounting standard, earnings increased from 26.3p to 30.1p.

See Lex



Sir Geoffrey Mulcahy, not the beginning of a price war

Geest hit by banana surplus

By Roland Ridd

PRICE DEFLECTION affecting fresh produce resulted in a 22 per cent fall in Geest's pre-tax profits for the 53 weeks ended January 2.

Profits at the fresh produce and prepared foods group fell from £26.2m to £20.4m on lower sales of £625m (£626m). Trading profits from fresh produce fell from £18.3m to £15m, mainly because of the surplus of bananas.

Earnings per share fell from 26.3p to 20.4p. However, the final dividend is increased to 4.4p making a total of 8.1p (7.5p).

COMMENT

The new banana regime should have the effect of taking away business from the big dollar importers, such as Dole. In 1994, after the first full year of the new regulation, Geest may well achieve its aim of becoming the second or even the biggest importer of bananas into the European market. It is unlikely, however, to pull off its other stated aim of generating half its profits from food preparation. It is already facing stiff competition in this area, not least from the likes of Northern Foods. With forecast pre-tax profits of £26m, the shares - down 4% to 26.3p - are on a prospective multiple of 18.2 this year. But in 1994, which is arguably where investors should be looking, the shares are on a more realistic rating of 13 times earnings.

Last year the group increased capital expenditure from £25m to £24m, primarily in the development of its banana business. A further £25m of investment has been earmarked for 1993.

As a result of the capital expenditure, a cash surplus of £18m was turned into net debt of £7.2m.

Food preparation increased trading profit from 2.4m to 26.2m. Mr Sudgen, chief executive, is expecting the price of bananas to rise after July when the new banana regime within the Single Market comes into effect.

He said: "For the first time, the whole of the European Community will be regulated when our significant investment in creating a pan-European business will pay off."

Last year the group increased capital expenditure from £25m to £24m, primarily in the development of its banana business. A further £25m of investment has been earmarked for 1993.

Since its management buy-out in 1988, Darty has effectively operated as a private company with a very low profile in the investment community.

Before the buy-out it traditionally traded at a generous premium with a p/e ratio of about 20, against an average of 15 for the rest of the retail sector.

"Darty was always a blue chip stock," said one Paris retail analyst.

"We lost contact with the management since the buy-out, but I'm still a loyal customer. Nothing has changed judging from the feel of the stores. The quality of the business seems to be as high as ever."

profits by 1995.

Geest, in which Geest had a 50 per cent interest, was sold for £9.7m in September and last week the group's two UK salad businesses were sold for £5.7m (£3.8m).

The sales gave rise to a £17.2m extraordinary charge, of which £16.1m related to goodwill previously written off to revenue.

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Enlarged Johnston Press hits £9.76m

By James Buxton, Scottish Correspondent

JOHNSTON PRESS, the Edinburgh-based newspaper publishing group, increased 1992 pre-tax profits by 32 per cent to £9.76m, with just over half the increase coming from acquisitions.

The company, in which the Johnston family has a 45 per cent stake, has doubled its turnover since 1988 - partly because of a series of acquisitions of newspaper and publishing groups as it has expanded out of Scotland and the north of England.

Mr Fred Johnston, executive chairman, said that for the third year running there was no evidence of any improvement in the market place. The company's improved performance was due to its own efforts in containing costs and in finding business opportunities in "often bleak economic conditions."

The company benefited from the "strong and well-established" position of its free and paid-for newspapers, which operate between Falkirk and

Sussex. The bookbinding and library bookselling businesses performed well.

Turnover rose 16 per cent to £71.7m, of which all but 1.6 per cent was due to acquisitions. The figure benefited from one year's revenue of Greenhead Books of Ipswich, one quarter from TR Beckett, the Sussex-based newspaper group, and from Shosmith and Etheridge, a stationery wholesaler in Uckfield, Sussex.

Mr Ian Bell, managing director, said: "Our strict cost controls and good housekeeping stand us in good stead."

Mr Johnston hinted at possible further acquisitions, stating "as companies scarred by the recession begin to review their portfolios, there are going to be further business opportunities for undertakings which have survived the last three years in good order."

He added: "Despite the utterances of the politicians, evidence in the everyday world has yet to provide any significant signs that the recession is coming to an end."

A final dividend of 4p makes a 6.25p (5.8p) total.

Confusion over the identity of Fisherking

Alice Rawsthorn looks at Darty, an institution on the French retail scene

PASCAL, a sales assistant at the Darty store in Les Halles shopping centre in Paris, beamed when asked about Darty's takeover by a British company. "It's good news for everyone," he said. "We'll represent them in France and they'll represent us in the UK. It makes sense for us to link up with Fisherking."

Pascal is not alone in his confusion over the identity of Darty's new owner.

Fisherking may be one of the most powerful players in UK retailing but it was virtually unknown in France until last month's announcement that it had agreed terms to acquire Darty, the largest chain of electrical retailers in the country.

Darty itself is equally obscure in the UK. However, Fisherking has bought a business which is not only a leading force in its sector, but an institution on the French retail scene.

The Darty stores, with their warehouse-style interiors and monochrome signs, are a familiar sight in city cen-

tres and out-of-town shopping complexes all over France.

Darty has 130 stores throughout the country which command 12 per cent of the national market for electrical products and nearly 30 per cent of sales in Paris and Lyon. It also has an almost unassailable reputation for quality and service among its customers.

To the French, the Darty name has the same cachet of good value and reasonable prices, as Marks and Spencer or John Lewis to the British. In other words it has built up a reputation for value-for-money and quality which would be the envy of most UK electrical chains, including Kingfisher's Comet. Darty has achieved this through a combination of highly disciplined management, a carefully co-ordinated public image and strong commitment to service.

Darty dates back to 1967 when the three Darty brothers - Bernard, Claude and Nathan - opened their

first store. The company expanded rapidly in the 1970s, 1980s and 1990s as the brothers opened new stores to satisfy demand for the new electronic products - washer-dryers, fridge-freezers, hi-fi systems, colour televisions and video - which were flooding on to the market.

The Darty stores have a similar clean, functional look to those of Marks and John Lewis, with white walls and pale grey floors. The stores are filled with row after row of products, all accompanied by neat information panels and discreet neon signs to identify different departments.

Cleaners prowl around the stores to dust and polish the products. The giddy signs and bargain baskets that tend to litter other electrical stores are conspicuously by their absence. Darty's outlets have a restrained ethos which could not be more different from the flashy feel of its competitors.

Darty has also invested heavily in service. Its sales staff are sent on reg-

ular training sessions to ensure that they are well-informed about the merchandise. Darty also offers free delivery and also an after-sales service. This gives it a distinct competitive advantage over other French retailers, which are notoriously weak on customer service. Darty made sales of FF1.375m from service alone in the year to August 31, against FF1.19m from its retail operations.

As a result, Darty is one of the handful of French retailers to dominate its sector. Its size helps to deter potential competitors particularly as it now operates on such a scale that it would be difficult for other companies to match its negotiating power with suppliers. It is the only large specialist electrical chain in France. The rest of the market is fragmented between hypermarkets, department stores, furniture chains such as Conforama and thousands of independents.

Darty's reputation among the French public is mirrored in the stock market's perceptions of the group. Despite the recent slowdown in the household products market - which trimmed Darty's sales from FF1.375m in 1991 to FF1.35m in 1992 and pre-tax profits from FF1.055m to FF1.075m over the same period - it is still one of France's most profitable retailers.

Since its management buy-out in 1988, Darty has effectively operated as a private company with a very low profile in the investment community. Before the buy-out it traditionally traded at a generous premium with a p/e ratio of about 20, against an average of 15 for the rest of the retail sector.

"Darty was always a blue chip stock," said one Paris retail analyst. "We lost contact with the management since the buy-out, but I'm still a loyal customer. Nothing has changed judging from the feel of the stores. The quality of the business seems to be as high as ever."

Reorganised Lex Service achieves sharp improvement

By Jane Fuller

THE VOLATILITY in pre-tax profits that can be caused by the new FRS 3 accounting standard was highlighted by Lex Service's results yesterday.

Under the new standard, the motor group turned a pre-tax loss of £50.1m in 1991 into a profit of £10.7m last year.

The big swing factors, giving Lex a profit, were the disposal of a goodwill-impacted loss of £2.7m and the ending (or a large amount of compensation) of its cross-import agreement with Volvo.

Earnings per share came out at 9.7p compared with losses of 57.4p.

Under the old rules, with those transactions taken as extraordinary items, pre-tax profits advanced from £50.0m to £23.3m. Earnings were 30.4p (0.4p).

The main FRS 3 neutral figures were turnover, £910.7m (£1.3bn); and the proposed increased final dividend of 6.5p (6p) to give a 10.6p (10p) total.

The share price gained 16p to close at 33.5p. Lex also signalled its ambi-

tions by announcing the £13m purchase of 82 Autocentre service garages from Lucas Industries.

Mr Trevor Chinn, chairman and chief executive, said the group's other targets included increasing the car dealership network from 90 to 120 sites and doubling the size of the contract hire fleet to 10,000.

Lex's continuing motor retail business nearly doubled its trading profit (before £8.7m of group overheads) to £12.4m with the help of about 22m from Swan National, bought from the TSB Group last May.

Leasing companies, all joint ventures with Lombard North Central - part of National Westminster Bank, contributed £1.2m to pre-tax profit as associates.

Lex Vehicle Leasing turned from a £2.6m loss to a £2.6m profit, benefiting from rationalisation and lower interest charges.

Truck leasing was turned round and the forklift trucks side showed strong growth.

Lex retains a 17.5 per cent stake in Arrow Electronics of the US. This contributed

£1.5m. The market value of the stake rose to £92m compared with a book value of £75m. Net debt fell to £55.6m (£55.7m).

Lex's half share of off balance sheet debt in the leasing companies amounted to about £200m.

COMMENT

Lex now claims to have the biggest UK dealership network, overtaking Inchcape and Octavius AFGB. Yet a swathe of ambitions lie ahead of it, including the service chain started with the latest buy, its aims on the dealership/leasing fronts echo those of T C Cowie and they may be bumping up against each other as they scan the motor activities of much larger groups. Continued recovery in all parts of Lex's business, which hit bottom in 1991 when the dividend was cut, should more than compensate for losing the residue of the Volvo import profits. A pre-tax profit of £3.6m (assuming no lumpy debts) gives a prospective p/e of about 14. After outperforming the market by a third in the past six months, most of the good news is in the price.

Trucking turned from a £2.6m loss to

COMMODITIES AND AGRICULTURE

Lead losses grow as prices slip to 6½-year lows

By Kenneth Gooding,
Mining Correspondent

NOT ONE lead producer in the world was making a profit at present market prices, said Mr Stephen Briggs, analyst at the Metals & Minerals Research Services consultancy group, after the metal fell on the London Metal Exchange yesterday to its lowest level for 6½ years.

In real terms, the price of lead had never been so low, he suggested. MMRS estimated that the average cost of producing refined lead was 23 or 24 cents a lb compared with yesterday's price of about 18 cents.

The lead market's problems, like those of many other metals, stem from a surge in exports from the former eastern bloc countries, particularly from Russia. These countries traditionally were net importers of lead. Statistics from the International Lead and Zinc Study Group indicate that net eastern bloc exports last year reached about 130,000 tonnes, more than double the 63,000 tonnes in 1981.

Finland's Outokumpu expands in Australia

By Kenneth Gooding

OUTOKUMPU, THE state-owned Finnish mining and metals group, is expanding its interests in Australia by earning a majority stake in the Panorama zinc project in the Pilbara region of Western Australia.

Shareholders in Sipa Resources, the small Australian company that owns the project, are expected to give approval today for Outokumpu Zinc to earn 60 per cent of Panorama by spending \$A5m on exploration in the next two years and then producing a bankable feasibility study. At the same time, Outokumpu Zinc will buy A\$1.8m (£760,000) worth of Sipa shares, which will take the Finnish group's stake from 14 per cent to 19.8 per cent.

Outokumpu Zinc operates Tara in Ireland, the biggest zinc-lead mine in Europe, as well as an electrolytic plant in Finland. The company has been interested in Panorama for some time and originally took a shareholding in Burmin Exploration, a Dublin company, which owned 39 per cent of the project. This stake had reached 26 per cent by the time

"Historically the lead market has always been roughly in balance, so this is a huge surprise for the metal," Mr Briggs pointed out.

Mr Angus MacMillan, research manager at Billiton-Enthoven Metals, part of the Royal Dutch/Shell group, suggested there would be no let up in eastern bloc exports this year and "demand for lead remains uninspiring in all the metal's major consuming regions." About 65 per cent of refined lead is used in batteries and, while the US vehicle market was recovering, European demand was flat. He expected the 1993 lead supply surplus to remain about 150,000 tonnes.

Both Mr Briggs and Mr MacMillan said they expected some substantial production cuts before long. But Mr Briggs warned: "There will be no substantial price rise until we see a solid, sustained increase in demand".

Lead is still quoted in sterling on the LME and last night metal for delivery in three months closed at £275.50 a tonne, down another £2.

US boosts timber sales to Europe

By David Green in Richmond, Virginia

EXPORTS of US hardwood timber to Europe have risen sharply to \$45m, an increase of 17 per cent. Latest figures released by the US Department of Commerce show that last year 26 European countries accounted for 45 per cent of US lumber exports.

Germany leads the European field, buying \$80m worth of sawn timber, up from \$33m in 1991. There were also increases in the value of lumber shipped to Italy, up 12 per cent, Belgium, up 8 per cent, the Netherlands, up 29 per cent, and Spain, up 31 per cent.

Total US hardwood timber export receipts in 1992 amounted to \$1.9bn, compared with \$460m four years ago.

Rustenburg's announcement was the second piece of bullish news the market had received this week. Earlier Almaz-Juvenillexport, the Russian export agency for platinum group metals, had said it would be reducing shipments this year.

Exports now represent about 10% of all hardwood produced in the US.

Mr Michael Buckley, European director of the American Hardwood Export Council, said environmental pressures on timber sources elsewhere in the world were working in favour of the US. It had been able to demonstrate the existence of strict legislation and controls in harvesting hard wood, coupled with evidence of a long history of sustained yield management and regeneration.

Price provides catalyst for platinum cuts

Philip Gavith reports on the market pressures being felt by South African producers

TUESDAY'S announcement by Rustenburg Platinum, the world's largest producer, that it is cutting production by closing the Boschfontein shaft contained a predictable message in a surprise wrapping.

Predictable was the distress signal it conveyed on the part of South African platinum producers, who account for about 70 per cent of world annual supply. Declining profits forced both Rustenburg and Impala, the second largest producer, to cut their dividends recently and platinum group metal prices have since tumbled even lower.

It was perhaps surprising, however, that Rustenburg, the most financially sound and cost-competitive of the main producers, should have moved first. If Rustenburg is feeling the strain, then the pressure must be more severe at Impala and Lonrho, the other large producers. Whereas Rustenburg has cash reserves of about R550m (£260m), Impala and Lonrho (in the form of Western Platinum and Eastern Platinum) have debts respectively of about R320m and R80m.

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Impala is not planning, at this stage, to follow Rustenburg's lead. Mr Michael McMahon, executive chairman, said yesterday that "while current prices are a matter of serious concern, Impala is not

most important, however, is the message sent to the market.

Although Mr Davison

describes the production cut as a "statement of fact" rather than an attempt to move the price, he will clearly be hoping

that it helps to restore equilibrium to a market that has been described as being gripped by a "recessionary psychosis". Certainly the message from the market leader that it is cheaper to buy metal in the market than to produce it is a powerful one.

Lonrho is not thought to be contemplating a production cut.

Rustenburg's cut can be assessed on several levels. Most obviously, as Mr Barry Davison, managing director, has made clear, it will benefit shareholders because a loss-making shaft will be closed and cheaper metal purchased in the market to cover supply commitments. Also, the closure of Boschfontein fulfills the strategic aim of the JCI group - which also controls the Lebowa and PPRust platinum mines - to move further down the cost curve as expensive production at Rustenburg will be replaced with much cheaper production at PPRust when it comes on stream later this year.

That said, both producers are keen to stress that the underlying supply/demand fundamentals for platinum group metals are quite sound.

"I am not worried about the future," says Mr Davison. Both

market, although it was being seen more as a powerful signal than anything else. "The news was good for \$2 or \$4, but there is some pretty stiff resistance at \$355," said one dealer.

companies have sold all their production and the trend, if anything, is for customers to ask for more metal, not to seek to reduce contractual commitments.

Although optimistic about

tough times in the industry has been around for some time already. This has been most obvious from action taken in the Impala stable where expansion plans have been drastically curtailed over the past two years, and the labour force has been cut by 17 per cent while maintaining existing production levels.

On the other hand, the platinum producers are still far cry from the position facing marginal gold producers. Using rough figures Mr Dave Russell, analyst at stockbrokers Irish & Menell Rosenberg, says a typical platinum producer on Merensky reef is enjoying revenues of about R200 a tonne at present prices, compared with cash costs of R110 to R120 a tonne - still a comfortable margin.

Mr Russell does not expect a similar round of cuts to those in the early 1990s, when production fell by 15-20 per cent. He supports the producers in their view that though the price may be weak, the market is not. A further factor, stressed by Mr McMahon, is that there is no point in inking: if cuts do not extend to fixed costs, they are not worth making as revenue will decline without a commensurate fall in costs, leaving the financial situation worse than before.

Having already cut deeply, Impala is clearly confident it has achieved the optimum fighting weight for prevailing market conditions.

Russian gold exploitation plan shelved

By Leyla Boulin in Moscow

THE Panorama project covers 3,000 square km (1,180 square miles) and Mr Michael Doepel, Sipa's managing director, says the A\$15m spent on exploration so far has been rewarded with the discovery of eight deposits.

"We have a base metals province which we hope will match some of the big provinces in Canada," he adds.

There is a long way to go, however. After two more years of exploration, some A\$15m to A\$20m will have to be spent in the next two to three years for the feasibility study. Construction of a mine would cost about A\$200m and Outokumpu would be responsible for funding all the project finance.

The Outokumpu group's other Australian interests include 100 per cent of the Forrestania and 35 per cent of the Honeymoon Well nickel projects in Western Australia, as well as 24 per cent of Lady Loretta and 25 per cent of Thalanga, two base metals projects in Queensland.

REPRESENTATIVE of Star Technology Systems of Australia, maintains that a joint stock company her company has formed with Lenzoito, a Siberian state-owned gold producer, has exclusive rights to exploit the deposit.

Says she expects Mr Viktor Chernomyrdin, the prime minister, to order previously secret information on the reserves to be declassified so that Star can pay the first \$20m instalment of its \$250m investment in the project. Ms Moore says declassification is a

condition set by Star's banks to release the money raised for the project.

But the State Geology Committee wants to see the partners' business plan before it grants a licence and before the information about reserves can be declassified. Star argues that it does not need a licence because documents were confirmed at local level.

The project, which would be the first to allow foreigners into Russia's undercapitalised gold industry, has been the subject of a long-running con-

troversy, with parts of the Russian administration opposed to letting a small Australian company have access to such a prize without competition. Lenzoito and Star maintain, however, that their joint stock company has already been approved by the State Property Committee and that the state is not providing Lenzoito with the support it needs to pay workers and continue construction work for the development of Sukhol Log. Star is also going to develop Aluvial gold deposits on the site.

The big alumina export boost will come in the next four years when three export oriented refineries of a combined capacity of 2.5m tonnes are commissioned - all in Orissa, which accounts for 1.5m tonnes of metallurgical grade bauxite out of India's total reserve of 2.45m tonnes.

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Indian investment board clears bauxite growth plan

By Kunal Bose in Calcutta

INDIA'S PUBLIC Investment Board has cleared a proposal by the government-owned National Aluminium Company (Nalco) to expand the bauxite mining capacity from 2.4m tonnes to 4.8m tonnes and alumina refining from 300,000 tonnes to 1.25m tonnes. But it

has put on hold the proposed 50 per cent capacity expansion of Nalco's aluminium smelting to 345,000 tonnes.

The PIB decision has been influenced by two factors. First, domestic demand for aluminium falls far short of the industry's total production capacity of 810,000 tonnes; and second, Indian power costs are

high. India has, however, an abundant supply of rich bauxite and low manpower cost for producing alumina.

All the additional production will be earmarked for export.

For the expansion of the mines and alumina refinery at Koraput in Orissa, Nalco will be using technology from Aluminim Pechiney of France, its

main supplier.

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Norway's oil investment 'set to peak this year'

By Karen Fossel in Oslo

WOODY Mac says investments in fields in production peaked in 1986, but substantial expenditure is expected to be made on several fields, notably Ekoisk, where some Nkr51bn (£49.35bn), a 17 per cent increase over 1992, and Nkr209bn is expected to be invested over the next five years, according to a report soon to be issued by Edinburgh-based oil analyst Wood Mackenzie.

Expenditure only on fields under development will peak this year at about Nkr7.7bn, while expenditure on probable developments is expected to ensure an annual investment level of Nkr25bn in the mid-1990s, says WoodMac.

However, the analyst says that several of Norway's current field development projects have been characterised by a series of cost over-runs and delays. Higher costs, estimated at Nkr25bn, have arisen on the Sleipner East project because of the sinking of the original platform, while increases have occurred on the Troll, Draugen, Heidrun and Sleipner West fields because of design changes.

Chicago

SOYABEANS 5,000 bu min; cent/bbl/bushel

CLOTHES 50,000 lb min; cent/bbl

in cuts
ican producers

LONDON STOCK EXCHANGE

Equities hold steady in hefty turnover

By Terry Byland,
UK Stock Market Editor

ANOTHER large corporate share placing, in the form of a bought deal in the construction and building sector, was comfortably taken yesterday by a UK stock market also tested by a batch of less than favourable trading reports from leading British companies. Equities were held back for most of the session by hints of impending US selling of British Petroleum and of the pharmaceutical stocks. But early dealings on Wall Street saw the Dow 10 points higher, and share prices steadied in London to show very little change on the session.

Trading volume remained high but this reflected a combination of tax-related dealing and activity in selected heavyweight blue chip stocks. Dealers maintained that any selling prompted by the Budget measures on Advance Corporation Tax has been completed. SmithKline Beecham yesterday joined the growing list of UK companies to increase dividend payment because of tax measures in the Budget.

The day's Seag total of 833.5m shares was also swollen by a placing of a 25 per cent stake in George Wimpey, the housing and construction group, by way of a bought deal in the market. The deal was regarded as a further sign that

there is a ready market among institutions for large lines of good class stocks at close to current market levels. Retail or customer business in equities, which had shown signs of flagging, recovered on Tuesday to record a value total of £500m.

Equities were unsettled in early deals when Lasono, the North Sea energy group, announced a savage cut in its

dividend payment, apparently taking by surprise recent buyers of the shares. There was little encouragement from the rest of the day's list of corporate trading statements. Figures from Kingfisher, the UK high street retailer, had been largely disclosed at the time of the announcement of the planned merger with Darty of France.

At the final reading, the

FT-SE Index was a mere 0.5 off at 2,860. The fall of just over 2 per cent since the Budget is much in line with expectations, especially in view of the absence of a base rate cut. Strongly expressed rejections of hopes for another early cut in base rates by Mr Norman Lamont, the UK chancellor of the exchequer, have been taken to heart in the equity market. Further progress by

equities is expected to depend upon a flow of convincing indications that the domestic economy is on the road to recovery. Strategists said that there was "a much better feeling" in the stock market this week as share prices appeared unaffected by the Budget changes in dividends on overseas earnings of UK companies, by successful placings of blocks of shares and the evident success of the recent rights issues which had overshadowed sentiment previously. Yesterday it was announced that the rights from Trafalgar House had received 89 per cent take-up.

However, there was some nervousness in the pharmaceutical sector following a further bearish statement from one of the leading names in the US industry. The heavily-weighted drug stocks, which feature in virtually all investment fund portfolios, have shown a somewhat mixed performance since the rest of the London market began to rise in mid-September, when sterling quit the ERM network.

FT-SE Actuaries Share Indices

THE UK-SERIES

FT-SE 100 2,860.6 -0.5		FT-SE Mid 250 3,138.0 -7.2					FT-SE All-share 1408.00 -1.06				
		Day's Mar 24 change %	Mar 23	Mar 22	Mar 19	Year ago	Ex-div yield %	Dividend yield %	RW Rate	Xtnd Yield	
FT-SE 100	2,860.6	-0.5	2,860.1	2,860.0	2,860.1	2,860.6	5.27	4.82	20.41	18.98	
FT-SE 250	3,138.0	-7.2	3,140.9	3,140.7	3,140.9	3,140.9	5.21	5.51	20.05	17.15	
FT-SE 250 Cap	1,413.8	-0.1	1,412.5	1,412.5	1,412.5	1,412.5	5.20	4.19	21.28	12.09	
FT-SE SmallCap	1,559.33	-0.2	1,563.49	1,563.29	1,563.49	1,563.5	5.18	4.03	27.37	7.33	
FT-SE SmallCap or Inv Trusts	1,569.04	-0.3	1,574.02	1,570.82	1,561.93	1,569.04	5.69	4.25	25.43	6.60	
FT-SE All-share	1,403.00	-0.1	1,405.00	1,407.31	1,401.34	1,401.32	6.28	4.17	20.37	5.75	

1 BENTEL ENGINEERS	865.09	+0.1	864.97	862.44	866.82	780.04	5.46	4.38	22.30	6.70
2 Bellway Homes(27)	998.26	-0.4	999.00	978.74	979.00	989.00	5.21	5.51	20.05	1.15
3 CATERPILLAR CONSTRUCTION(29)	643.93	-0.3	645.10	645.67	647.15	647.15	5.20	4.23	22.47	3.51
4 EDS(15)	2,777.71	-0.6	2,762.00	2,760.70	2,762.28	2,768.70	6.02	5.23	22.34	4.07
5 Electronics(57)	348.08	-0.1	349.28	348.02	348.95	348.95	7.18	4.10	17.90	2.82
6 Engineering-Consult(7)	522.06	-0.1	524.02	527.03	522.73	519.43	4.51	3.41	32.23	0.56
7 Expressway-Cons(1)	384.80	-0.2	386.09	381.92	384.80	384.80	5.26	5.26	27.23	4.09
8 Metals & Metal Foundry(11)	401.37	-0.2	402.26	405.55	403.89	403.89	5.05	4.17	21.71	2.78
9 Other Industrial(8)	2,657.33	-0.1	2,668.75	2,668.00	2,668.00	2,668.00	6.22	5.13	20.25	3.02
10 OTHER MANUFACTURING(29)	1,694.51	-0.1	1,697.10	1,714.31	1,697.10	1,697.10	5.56	4.03	18.03	7.75
11 Brewers and Distillers(29)	1,980.34	-0.3	1,987.98	2,002.83	2,002.83	2,002.83	5.22	3.92	14.87	10.48
12 Food Manufacturing(22)	1,420.20	-0.3	1,414.49	1,418.00	1,414.28	1,413.00	7.19	3.77	17.58	5.62
13 Food Retailing(10)	3,151.21	-0.5	3,150.18	3,153.31	3,154.14	3,154.14	5.35	3.36	15.99	2.51
14 Hotels & Restaurants(29)	2548.26	-2.2	2,567.37	2,568.02	2,568.05	2,568.05	6.04	3.37	17.67	22.51
15 Household Goods and Leisure(10)	1,324.24	-0.3	1,324.24	1,324.24	1,324.24	1,324.24	5.02	5.15	22.23	14.46
16 Motor Cars(10)	1,674.12	-0.4	1,686.78	1,675.25	1,675.25	1,675.25	5.47	2.47	22.44	11.03
17 Packaging and Paper(6)	862.57	-0.9	845.62	845.62	845.62	845.62	5.36	3.71	20.53	0.93
18 Software(29)	1,189.00	-0.1	1,182.32	1,172.73	1,182.40	1,180.85	6.22	5.13	21.25	3.02
19 Textiles(29)	804.31	-1.1	812.04	812.56	812.56	812.56	6.34	4.07	20.05	2.89
20 OTHER SERVICES(43)	1,957.74	-0.4	1,958.00	1,958.11	1,958.55	1,958.55	5.13	4.42	15.15	7.42
21 Business Services(27)	1,621.32	-0.2	1,618.24	1,625.55	1,625.24	1,625.24	5.33	3.26	20.05	0.98
22 Construction(23)	1,502.26	-0.5	1,503.00	1,503.04	1,504.34	1,504.34	6.01	4.99	21.01	15.83
23 Computer(11)	1,428.67	-0.9	1,435.33	1,430.98	1,436.44	1,436.44	5.29	5.51	13.31	1.31
24 Transport(10)	2,262.52	-1.1	2,258.69	2,258.73	2,258.73	2,258.73	7.32	4.03	16.46	7.23
25 Telephones Networks(7)	1,711.54	-1.1	1,710.69	1,717.74	1,715.50	1,715.50	5.26	4.44	16.84	1.83
26 Water(13)	3,557.67	-0.4	3,571.03	3,561.49	3,561.49	3,561.49	12.70	4.98	8.75	11.63
27 Miscellaneous(52)	3,465.55	-0.1	3,468.08	3,468.08	3,468.08	3,468.08	6.81	4.26	16.16	2.44
28 INDUSTRIAL EQUIPMENT(6)	1,454.55	-0.1	1,455.04	1,457.57	1,457.57	1,457.57	7.13	4.02	17.41	7.51
29 FT-SE 250 Inv 100(2)	3,147.22	-0.3	3,142.31	3,142.31	3,142.31	3,142.31	5.23	5.11	25.68	23.00
30 FT-SE Share Index(200)	1,541.93	-0.1	1,542.44	1,541.98	1,541.98	1,541.98	5.08	3.14	17.55	0.72
31 FINANCIAL GROUPING(6)	976.47	-0.1	977.08	978.52	978.52	978.52	5.13	4.91	8.07	0.25
32 Banks(1)	1,306.70	-0.8	1,308.57	1,308.07	1,308.77	1,308.77	7.47	4.40	31.14	17.18
33 Insurance(14)	2,024.94	-0.7	2,026.08	2,026.08	2,026.08	2,026.08	5.07	4.63	10.01	7.29
34 Finance Companies(7)	822.16	-0.1	822.16	822.16	822.16	822.16	5.07	4.07	10.01	7.01
35 Leasing Brokers(10)	924.26	-0.8	925.00	924.57	924.57	924.57	5.20	4.07	20.05	2.82
36 Merchant Bankers(8)	648.79	-1.1	649.30	648.46	648.57	648.57	5.01	3.81	20.05	1.26
37 Property(26)	700.85	-0.8	700.85	700.79	700.15	700.15	7.08	3.39	18.27	1.06
38 Other Financial(29)	346.16	-0.1	346.52	347.04	346.42	346.42	5.57	5.05	20.05	1.01
39 Investment Trusts(10)	1,644.57	-0.1	1,643.30	1,643.44	1					

FT MANAGED FUNDS SERVICE

AUTHORISED UNIT TRUSTS

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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Old Price	New Price	Offer + or -	Yield Gross	Old Price	New Price	Offer + or -	Yield Gross	Old Price	New Price	Offer + or -	Yield Gross	Old Price	New Price	Offer + or -	Yield Gross	Old Price	New Price	Offer + or -	Yield Gross
Profitlife & Pensions Ltd	100.00	-0.00	0.00	0.00	0.00	-0.00	0.00	0.00	0.00	-0.00	0.00	0.00	0.00	-0.00	0.00	0.00	0.00	-0.00	0.00
Standard Life Assurance Co Ltd	100.00	-0.00	0.00	0.00	0.00	-0.00	0.00	0.00	0.00	-0.00	0.00	0.00	0.00	-0.00	0.00	0.00	-0.00	0.00	0.00
Life Funds	172.5	-1.5	-0.8%	172.5	172.5	-0.5	-0.3%	172.5	172.5	-0.5	-0.3%	172.5	172.5	-0.5	-0.3%	172.5	172.5	-0.5	-0.3%
Balanced Fund Model	105.7	2.5	+2.3%	105.7	105.7	-0.5	-0.5%	105.7	105.7	-0.5	-0.5%	105.7	105.7	-0.5	-0.5%	105.7	105.7	-0.5	-0.5%
Investment Fund Model	127.5	2.5	+2.3%	127.5	127.5	-0.5	-0.5%	127.5	127.5	-0.5	-0.5%	127.5	127.5	-0.5	-0.5%	127.5	127.5	-0.5	-0.5%
Cash Fund	100.00	-0.00	0.00	0.00	0.00	-0.00	0.00	0.00	0.00	-0.00	0.00	0.00	0.00	-0.00	0.00	0.00	-0.00	0.00	0.00
Property Fund	217.5	2.5	+2.3%	217.5	217.5	-0.5	-0.5%	217.5	217.5	-0.5	-0.5%	217.5	217.5	-0.5	-0.5%	217.5	217.5	-0.5	-0.5%
Equity Fund	277.5	2.5	+2.3%	277.5	277.5	-0.5	-0.5%	277.5	277.5	-0.5	-0.5%	277.5	277.5	-0.5	-0.5%	277.5	277.5	-0.5	-0.5%
Fixed Int. Fund	424.2	4.0	+3.0%	424.2	424.2	-0.5	-0.5%	424.2	424.2	-0.5	-0.5%	424.2	424.2	-0.5	-0.5%	424.2	424.2	-0.5	-0.5%
High Income Fund	187.5	2.5	+2.3%	187.5	187.5	-0.5	-0.5%	187.5	187.5	-0.5	-0.5%	187.5	187.5	-0.5	-0.5%	187.5	187.5	-0.5	-0.5%
High Income Fund	172.5	2.5	+2.3%	172.5	172.5	-0.5	-0.5%	172.5	172.5	-0.5	-0.5%	172.5	172.5	-0.5	-0.5%	172.5	172.5	-0.5	-0.5%
North American Fund	172.5	2.5	+2.3%	172.5	172.5	-0.5	-0.5%	172.5	172.5	-0.5	-0.5%	172.5	172.5	-0.5	-0.5%	172.5	172.5	-0.5	-0.5%
Other Managed City	149.8	2.5	+2.3%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%
Other Int. Fund	332.1	3.5	+2.6%	332.1	332.1	-0.5	-0.5%	332.1	332.1	-0.5	-0.5%	332.1	332.1	-0.5	-0.5%	332.1	332.1	-0.5	-0.5%
Other Managed City	181.3	2.5	+2.3%	181.3	181.3	-0.5	-0.5%	181.3	181.3	-0.5	-0.5%	181.3	181.3	-0.5	-0.5%	181.3	181.3	-0.5	-0.5%
Corporate Bond Fund	124.2	2.5	+2.3%	124.2	124.2	-0.5	-0.5%	124.2	124.2	-0.5	-0.5%	124.2	124.2	-0.5	-0.5%	124.2	124.2	-0.5	-0.5%
UK Blue Chip Fund	123.2	2.5	+2.3%	123.2	123.2	-0.5	-0.5%	123.2	123.2	-0.5	-0.5%	123.2	123.2	-0.5	-0.5%	123.2	123.2	-0.5	-0.5%
Property Fund	204.4	2.5	+2.3%	204.4	204.4	-0.5	-0.5%	204.4	204.4	-0.5	-0.5%	204.4	204.4	-0.5	-0.5%	204.4	204.4	-0.5	-0.5%
Corporate Bond Fund	149.8	2.5	+2.3%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%
Corporate Bond Fund	149.8	2.5	+2.3%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%
Corporate Bond Fund	149.8	2.5	+2.3%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%
Corporate Bond Fund	149.8	2.5	+2.3%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%
Corporate Bond Fund	149.8	2.5	+2.3%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%
Corporate Bond Fund	149.8	2.5	+2.3%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%
Corporate Bond Fund	149.8	2.5	+2.3%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%
Corporate Bond Fund	149.8	2.5	+2.3%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%
Corporate Bond Fund	149.8	2.5	+2.3%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%
Corporate Bond Fund	149.8	2.5	+2.3%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%
Corporate Bond Fund	149.8	2.5	+2.3%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%
Corporate Bond Fund	149.8	2.5	+2.3%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%
Corporate Bond Fund	149.8	2.5	+2.3%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%
Corporate Bond Fund	149.8	2.5	+2.3%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%
Corporate Bond Fund	149.8	2.5	+2.3%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%
Corporate Bond Fund	149.8	2.5	+2.3%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%
Corporate Bond Fund	149.8	2.5	+2.3%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%
Corporate Bond Fund	149.8	2.5	+2.3%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%
Corporate Bond Fund	149.8	2.5	+2.3%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%
Corporate Bond Fund	149.8	2.5	+2.3%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%
Corporate Bond Fund	149.8	2.5	+2.3%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8	149.8	-0.5	-0.5%	149.8			

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Belgian franc under pressure

THE BELGIAN franc stabilised inside the European exchange rate mechanism yesterday after Belgium's central bank raised its official interest rates in support of the currency, writes James Blitz.

The franc came under pressure inside the ERM after the government was unable to reach agreement on tax rises which would reduce its budget deficit, and offered its resignation to the King.

The offer of resignation, which was still being considered last night, raised concerns in the currency market because a reduction in Belgium's budget deficit is critical if the country is to meet the convergence criteria set out by the Maastricht treaty. At the start of trading, the Belgian currency moved to BEF 20.65 against the D-Mark from a previous BEF 20.59.

Although the movement was not great, the central bank has the informal goal of not allowing its currency to fluctuate by more than 25 basis points against the D-Mark in the ERM grid. Yesterday morning's fall for the Belgian franc amounted to a drop of 10 basis points, pushing the franc below the D-Mark in the grid at one stage.

£ IN NEW YORK

Mar 24	Last	Previous
1 week	1.4855	1.4845
2 weeks	1.4855	1.4845
3 months	1.4855	1.4845
12 months	1.3434	1.3275

Forward premiums and discounts apply to the US dollar.

STERLING INDEX

Mar 24	Last	Previous
1.20	80	—
1.20	80	78.7
1.20	80	78.7
1.20	80	78.7
1.20	80	78.7
1.20	80	78.7
1.20	80	78.7
1.20	80	78.7
1.20	80	78.7
1.20	80	78.7
1.20	80	78.7
1.20	80	78.7
1.20	80	78.7
1.20	80	78.7
1.20	80	78.7

CURRENCY RATES

Mar 24	Bank	Buy	Sell	Buy	Sell
US Dollar	1.2050	1.2055	1.2050	1.2055	1.2050
Canadian \$	1.2050	1.2055	1.2050	1.2055	1.2050
Austrian Sch	7.00	15.9401	13.6603	15.9401	13.6603
Danish Krone	10.06	6.9549	7.0220	6.9549	7.0220
D-Mark	7.20	2.26791	1.93859	2.26791	1.93859
Swiss Franc	1.2050	1.2055	1.2050	1.2055	1.2050
French Franc	10	1.0515	1.0515	1.0515	1.0515
Italian Lira	11.50	219.517	218.323	219.517	218.323
Yen	2.50	1.2050	1.2050	1.2050	1.2050
Spanish Peseta	181.740	139.424	139.424	139.424	139.424
Portuguese Escudo	11.50	15.7273	15.7273	15.7273	15.7273
Swiss Franc	1.2050	1.2055	1.2050	1.2055	1.2050
French Franc	19	2.26791	1.93859	2.26791	1.93859
Irish Punt	—	N/A	N/A	N/A	N/A

3 Bank rate refers to central bank deposit rate.

4 Bank rate refers to UK Bank of England.

5 Average 1989-1992. * Rates for March 1993.

6 All SDR rates are for Mar 23.

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